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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the "**Board**") of directors (the "**Directors**") of Dali Foods Group Company Limited (the "**Company**" or "**Dali**") is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021. The unaudited interim condensed consolidated results for the six months ended June 30, 2022 have been reviewed by the audit committee of the Board (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2022	2021	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*% change*
Revenue	**10,318,094**	11,287,241	-8.6%
Gross profit	**3,637,049**	4,325,165	-15.9%
Gross profit margin	**35.2%**	38.3%	-3.1 percentage points
EBITDA	**2,676,065**	3,150,308	-15.1%
Net profit	**1,705,623**	2,012,830	-15.3%
Net profit margin	**16.5%**	17.8%	-1.3 percentage points
Earnings per share	**RMB0.13**	RMB0.15	-15.3%

DIVIDEND

The Board has resolved to declare payment of an interim dividend of HK$0.071 per ordinary share for the six months ended June 30, 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		For the six months ended June 30,	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5(a)*	**10,318,094**	11,287,241
Cost of sales	*6(a)*	**(6,681,045)**	(6,962,076)
Gross profit		**3,637,049**	4,325,165
Other income and gains	*5(b)*	**933,707**	798,109
Selling and distribution expenses		**(1,843,043)**	(2,041,500)
Administrative expenses		**(381,760)**	(340,649)
Finance costs		**(67,351)**	(36,818)
PROFIT BEFORE TAX	*6*	**2,278,602**	2,704,307
Income tax expense	*7*	**(572,979)**	(691,477)
PROFIT FOR THE PERIOD		**1,705,623**	2,012,830
Attributable to:			
Owners of the parent		**1,705,623**	2,012,830
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
— For profit for the period		**RMB0.13**	RMB0.15
Diluted			
— For profit for the period		**RMB0.13**	RMB0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(20,578)**	1,692
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(20,578)**	1,692
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(20,578)**	1,692
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,685,045**	2,014,522
Total comprehensive income attributable to:		
Owners of the parent	**1,685,045**	2,014,522

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

	Notes	**As at June 30, 2022 (Unaudited)** *RMB'000*	As at December 31, 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,428,738**	5,309,988
Investment property		**211,812**	216,504
Right-of-use assets		**685,887**	702,726
Other intangible assets		**1,161**	1,152
Prepayments		**246,742**	365,228
Deferred tax assets		**53,644**	47,479
Total non-current assets		**6,627,984**	6,643,077
CURRENT ASSETS			
Inventories		**1,017,523**	1,194,257
Trade receivables	*10*	**1,455,264**	1,371,487
Prepayments and other receivables		**1,037,861**	1,050,093
Financial assets at fair value through profit or loss		**–**	500,000
Pledged deposits		**178,300**	831
Cash and bank balances		**17,119,976**	16,645,709
Total current assets		**20,808,924**	20,762,377
CURRENT LIABILITIES			
Trade and bills payables	*11*	**798,049**	1,028,354
Other payables and accruals		**1,188,149**	1,190,383
Interest-bearing bank and other borrowings		**5,445,241**	5,272,601
Lease liabilities		**18,563**	18,501
Dividends payable	*8*	**890,053**	–
Tax payable		**270,874**	205,450
Total current liabilities		**8,610,929**	7,715,289
NET CURRENT ASSETS		**12,197,995**	13,047,088
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,825,979**	19,690,165

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
June 30, 2022

	As at June 30, 2022 (Unaudited) ***RMB'000***	As at December 31, 2021 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**9,403**	18,061
Deferred income	**323,923**	336,584
Deferred tax liabilities	**14,158**	99,496
Total non-current liabilities	**347,484**	454,141
NET ASSETS	**18,478,495**	19,236,024
EQUITY		
Equity attributable to owners of the parent		
Share capital	**112,712**	112,712
Treasury shares	**(1,572,914)**	–
Reserves	**19,938,697**	19,123,312
Total equity	**18,478,495**	19,236,024

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE 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, PO 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 manufacturing and sale of food and beverage in Mainland China.

In the opinion of the Company's 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. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

(a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after January 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(continued)*

(d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- 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.

4. **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.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended June 30, 2022

	Household consumption *RMB'000* (Unaudited)	Snack food *RMB'000* (Unaudited)	Ready-to-drink beverage *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 5)*					
Sales to external customers	**1,726,237**	**4,527,545**	**2,964,949**	**1,088,201**	**10,306,932**
Other revenue	**–**	**–**	**–**	**11,162**	**11,162**
					10,318,094
Segment gross profit	**702,364**	**1,487,822**	**1,424,558**	**22,305**	**3,637,049**
Reconciliation:					
Other income and gains					**933,707**
Selling and distribution expenses					**(1,843,043)**
Administrative expenses					**(381,760)**
Finance costs					**(67,351)**
Profit before tax					**2,278,602**
Other segment information					
Depreciation and amortisation	**58,020**	**83,332**	**124,833**	**4,691**	**270,876**
Capital expenditure*					
Allocated	**96,479**	**101,246**	**100,222**	**–**	**297,947**
Unallocated					**26,291**
					324,238

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended June 30, 2021

	Household consumption *RMB'000* (Unaudited)	Snack food *RMB'000* (Unaudited)	Ready-to-drink beverage *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 5)*					
Sales to external customers	1,678,615	4,859,641	3,683,251	1,056,263	11,277,770
Other revenue	–	–	–	9,471	9,471
					11,287,241
Segment gross profit	746,990	1,714,707	1,842,384	21,084	4,325,165
Reconciliation:					
Other income and gains					798,109
Selling and distribution expenses					(2,041,500)
Administrative expenses					(340,649)
Finance costs					(36,818)
Profit before tax					2,704,307
Other segment information					
Depreciation and amortisation	79,277	94,274	164,959	4,722	343,232
Capital expenditure*					
Allocated	344,444	134,361	74,119	253	553,177
Unallocated					26,354
					579,531

* 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 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*.

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**10,306,932**	11,277,770
Revenue from other sources		
Gross rental income	**11,162**	9,471
	10,318,094	11,287,241

Disaggregated revenue information for revenue from contracts with customers

For the six months ended June 30, 2022

Segments	**Household consumption**	**Snack food**	**Ready-to-drink beverage**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Type of goods or services					
Sale of goods	**1,726,237**	**4,527,545**	**2,964,949**	**1,088,201**	**10,306,932**
Timing of revenue recognition					
Goods transferred at a point in time	**1,726,237**	**4,527,545**	**2,964,949**	**1,088,201**	**10,306,932**

For the six months ended June 30, 2021

Segments	Household consumption	Snack food	Ready-to-drink beverage	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or services					
Sale of goods	1,678,615	4,859,641	3,683,251	1,056,263	11,277,770
Timing of revenue recognition					
Goods transferred at a point in time	1,678,615	4,859,641	3,683,251	1,056,263	11,277,770

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

(b) Other income and gains:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**418,030**	317,985
Government grants*	**478,842**	443,438
Income from sales of scrap, net	**35,563**	33,278
Gain on disposal of items of property, plant and equipment	**32**	117
Foreign exchange differences, net	**317**	3,177
Others	**923**	114
	933,707	798,109

* Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion and efficiency enhancement.

6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Cost of sales:		
Cost of inventories sold	**5,713,286**	5,929,422
(b) Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**1,141,817**	1,106,404
Equity-settled share award expense	**20,132**	–
Pension scheme contributions, social welfare and other welfare	**176,296**	149,843
	1,338,245	1,256,247

6. PROFIT BEFORE TAX *(continued)*

	For the six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(c) Other items:		
Depreciation of property, plant and equipment	**308,182**	387,618
Depreciation of investment property	**4,692**	4,722
Depreciation of right-of-use assets	**16,963**	16,434
Amortisation of intangible assets	**275**	409
Promotion and advertising expenses	**937,991**	1,164,864
Research and development costs	**38,927**	35,290
Foreign exchange differences, net *(note 5(b))*	**(317)**	(3,177)
Bank interest income *(note 5(b))*	**(418,030)**	(317,985)
Government grants *(note 5(b))*	**(478,842)**	(443,438)
Loss on disposal of items of property, plant and equipment	**1,935**	104
Impairment of trade receivables	**4,018**	2,987
(Reversals)/provision of impairment of inventories	**(859)**	607

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 interim condensed 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 interim condensed consolidated statement of profit or loss and other comprehensive income.

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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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.

7. INCOME TAX *(continued)*

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.

The major components of income tax expense are as follows:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax	**664,482**	664,287
Deferred tax	**(91,503)**	27,190
Total tax charge for the period	**572,979**	691,477

8. DIVIDENDS

A final dividend of HK$0.076 (equivalent to approximately RMB0.0625) per ordinary share, totaling HK$1,040,753,000 (equivalent to approximately RMB889,792,000) was approved at the annual general meeting on May 18, 2022, and the balance was recognised as a liability as at June 30, 2022.

The board of directors resolved to declare interim dividend of HK$0.071 (equivalent to approximately RMB0.0623) per ordinary share, totaling HK$972,282,000 (equivalent to approximately RMB852,812,000) for the six months ended June 30, 2022 (the six months ended June 30, 2021: HK$1,191,388,000 (equivalent to approximately RMB992,498,000)).

9. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 13,521,222,894 (2021: 13,694,117,500) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,705,623**	2,012,830

	Number of shares For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**13,521,222,894**	13,694,117,500
Effect of dilution — weighted average number of ordinary shares:		
Equity-settled share award	**4,627,297**	–
	13,525,850,191	13,694,117,500

10. TRADE RECEIVABLES

The credit periods range from 30 to 90 days. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2022 *RMB'000* **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Within 90 days	**1,367,528**	1,198,171
91 to 180 days	**82,842**	163,122
181 to 365 days	**4,894**	10,194
	1,455,264	1,371,487

11. TRADE AND BILLS PAYABLES

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

	June 30, 2022 *RMB'000* **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Within 90 days	**785,899**	1,018,249
91 to 365 days	**11,271**	7,871
1 to 2 years	**10**	873
Over 2 years	**869**	1,361
	798,049	1,028,354

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the overall macro-environment remained challenging due to the resurgence of the epidemic in many parts of China. Gross domestic product and total retail sales of consumer goods increased by 2.5% and decreased by 0.7% for the first half of the year respectively, recording slower growth compared to the growth rates of 8.1% and 12.5% for the year 2021. In addition, raw material prices experienced a significant increase due to geopolitical uncertainties, which put pressure on the overall profitability of the downstream sectors. In face of the challenges, the Group benefited from the segment layout of mass daily consumption with relatively stable demand in each category, demonstrating strong risk resistance. In terms of the supply chain, the Group's nationwide factory layout ensured normal production operation, and its nationwide strong logistics system ensured the smooth operation of transportation vehicles and product supply, which reduced the negative impact of epidemic control to a certain extent, enabling the overall operation to remain stable in general. In terms of operating cost and efficiency, the Group possessed a strong self-supply chain from factory to terminal. Through the flexible layout of the entire industrial chain and product lines, the Group reduced its cost of performance, further strengthened its management and operational efficiency, and fully leveraged on its scale advantage. As the situation of the epidemic gradually improves, the Group believes that by constantly enhancing execution and with excellent product and marketing innovation, its performance is expected to improve significantly in the second half of the year. In the long run, the Group's comprehensive advantages and forward-looking industrial planning will lead to healthy and stable growth.

Consumers' desire for a healthy life and their pursuit of quality remains the unchanging focus of the market. The Group takes industrial upgrading as a medium and long-term business development and has achieved brand enhancement from multiple dimensions. As the leader in industry development, Doubendou has established its leading position while its market share ranked first in the domestic market in 2021. In recent years, it has continued to promote the concept of plant-based healthy lifestyle through its leading technology, comprehensive product portfolio, and innovative marketing. In the first half of the year, Doubendou further promoted the building of high-end industry, launched more in-depth category education, advocated balanced nutritious diet, and extensively spread the health concept of drinking soymilk and milk together. In terms of products, with the help of its green low-carbon organic soymilk products, Doubendou was known for promoting the high-end image of soymilk. Based on its new products, Doubendou actively carried out innovative marketing while combining leading technology to fully develop the industry and its landscape, continuously placing soymilk at a more crucial position in the industry. Meibeichen took operational efficiency and scale effect as the two drives for development. Each sales region organized its teams, outlets, and lines according to regional characteristics to improve operational efficiency. In terms of channel system construction, Meibeichen supported distributors to grow bigger and stronger and established a more refined cooperation policy to improve the profitability of distributors. In addition, the Group steadily pushed forward the development of medium shelf-life bread and accelerated its regional expansion to further enhance the segment's overall scale effect. Hi-Tiger actively built the market atmosphere through a series of initiatives and continued to increase its market penetration rate. In terms of channel management, it boosted distributors' motivation and imported high-quality distributors by increasing channel incentives. In terms of terminal management, it further seized the highly energetic market by expanding displays and placing freezers. Lastly, through marketing strategies such as sports event sponsorship, Hi-Tiger achieved consumer coverage and continued to enhance its brand recognition. Heqizheng continued to improve channel efficiency and strengthened product innovation capabilities to create new growth opportunities. It enhanced displays at terminal outlets and increased the scale of high-quality outlets. In terms of distributors' ecological construction, Heqizheng developed a more standardized and refined cooperation model to enhance distributors' capacity. In terms of products, based on the concept of innovative herbs, it launched the special herbal tea and bubble herbal tea, strengthening their functional properties and adopting China-chic packaging, thus expanding consumption scenarios. The snack food segment grasped the opportunity of the epidemic, implemented high-end strategies, deepened its cooperation with end customers and improved its sales quality. The Group responded to the growing trend of the demand for home shopping under the epidemic, centered around young consumer groups, accelerated product updates, and continued to launch fashionable and interesting new products to maintain its product competitiveness. Meanwhile, the Group increased the building of high-quality outlets for modern channels such as convenience stores and supermarkets, expanded the revenue and shelf share of high-end products, and improved the quality of store units. Its internal team building was also effective, with the team boosting efficiency significantly through enhancing strategic partnerships with key customers, laying a solid foundation for the Group's long-term healthy growth.

The Group further enhanced its innovative marketing capabilities in several aspects. Firstly, it promoted brand and industrial upgrade with in-depth marketing. For example, Doubendou provided charity support for the "National Nutrition Week Soymilk Nutrition Popularization Conference", emphasizing the importance of balanced nutrition and double protein together with experts in the industry, and actively advocated the health concept of "two glasses of milk a day", promoting the awareness of plant-based nutrition. Heqizheng led the technological innovation and recreated the vitality of the industry by launching the special herbal tea mingling flower and tea flavors, which used its healthy freshly brewed extraction technology. Secondly, the Group further improved its preciseness in placement and developed in-depth communication with its consumers, achieving remarkable results. In terms of the depth of placement, by advertising on and co-branded cooperating with authoritative media such as CCTV News and China Daily, the brand image was enhanced. In terms of the breadth of placement, regional markets were covered through major TV channels, precisely attracting young consumers in different interest groups through hit drama shows, popular variety shows and emerging social media. In terms of knowledge-based education, the Group reached to its potential consumers precisely by creating topics and making official announcements on Zhihu and Weibo, etc., carrying out in-depth interaction with its consumers. Lastly, the Group promoted the systematic process through integrating internal and external forces. The Group enhanced internal cooperation, collaborating closely with sales personnel and improved the digital information decision-making ability of the Group; meanwhile, the Group carried out tight cooperations with external third-party institutions such as Euromonitor, Nielsen and Kantar, enabling the team to have a more comprehensive grasp of market information.

Various factors such as the recurring pandemic and geopolitical conflicts have driven the overall increase in the cost of raw materials worldwide, in response to which the Group has actively launched various measures, demonstrating strong business resilience and solid management ability. On the one hand, the Group promoted product mix optimization to increase the proportion of high-margin products; on the other hand, it closely tracked the sales trend of low-margin products, strengthened price monitoring through accurate market data analysis, adjusted channels and personnel investment in a timely manner, and finely controlled costs. In terms of production, the Group continued to promote the improvement of production efficiency and resource utilization efficiency to reduce operating costs, such as improving standardized maintenance of equipment and recycling materials. In terms of procurement, we continued to optimize the supplier structure, improve market data analysis, strengthen price tracking, optimize procurement plans, and reduce procurement costs. In addition to fine management of costs, the Group further enhanced the efficiency of capital management, driving up the overall profitability. For instance, the overall expense management was improved through efficient management of channel expenses and marketing expenses; the utilization rate of capital was enhanced by taking advantage of the scale of capital pooling with effective management of working capital; working capital was replenished and operating costs were reduced by actively seeking policy-based low-interest loans.

As a leader in the food and beverage industry in China, the Group attaches great importance to the environment, social responsibility and corporate governance. In terms of management, first of all, the Board of Directors, as the top executive, formulated and reviewed sustainable development strategies and risk management policies, coordinated environmental, social and governance ("**ESG**")-related resources, and monitored the implementation of working groups in the areas of product quality research and development, environmental governance, sustainable raw material procurement and supplier management, as well as discussed the competitive market landscape, future corporate strategy and operation model based on ESG perspective. Secondly, we deployed third-party data and consulting agencies to consider the latest developments in emerging regulations, technologies, laws, etc., and improve the analysis of the strategic and financial impacts brought by risks and opportunities. In terms of product research and development, the Group has been committed to developing greener and lower-carbon products. Low carbon products encompass a complete life cycle assessment, covering the whole stages of resource extraction, processing and utilization, and final disposal. Doubendou continued to improve quality and launched the organic series. On the use of raw materials and packaging, we used plant-based ingredients entirely and adopted green environmentally friendly packages to reduce carbon emissions, by enhancing cultivation on plant farms. Heqizheng Sparkling Herbal Tea adopted bottled aseptic technology and enhanced research and development of new sugar-free and low-sugar products. In terms of low-carbon and environmental protection technologies, the Group adhered to the national carbon neutrality goal and invested in high-efficiency and low-emission equipment. In terms of energy conservation, we carried out energy restructuring by utilizing clean energy projects to promote long-term emission reductions, such as the technical renovation of gas boiler burners to reduce nitrogen oxide emissions in the long term. In terms of water resources and recycled water strategy, we maximized the recycling of steam condensate and other recyclable water resources, and gradually promoted water conservation among suppliers, reduced water usage intensity, and developed recycled water and alternative water sources. In terms of material use, the packaging standards were technically modified to reduce the amount of materials used, such as the modification of the standard weight of preforms and bottle caps, in order to reduce costs and increase efficiency. In terms of corporate governance, the Group adhered to the principle of "people-oriented" and implemented a multi-level and refined employee incentive and welfare policy. In the first half of the year, the Group provided medium to long-term incentive for core staff through a share incentive scheme and purchased shares from the open market in batches under the scheme. The Board of Directors reviewed and determined the number of shares to be granted, so as to align the interests of employees with those of the Company and shareholders, and promote the sustainable development of the corporate.

During the first half of 2022, the Group's revenue reached RMB10,318 million, representing a year-on-year decrease of 8.6%, of which, revenue from the household consumption segment increased to RMB1,726 million with a year-on-year increase of 2.8%; revenue from the snack food segment decreased to RMB4,528 million with a year-on-year decrease of 6.8%; and revenue from the ready-to-drink beverage segment decreased to RMB2,965 million with a year-on-year decrease of 19.5%. Gross profit amounted to RMB3,637 million, representing a year-on-year decrease of 15.9%. Gross profit of the household consumption, snack food and ready-to-drink beverage segments were RMB702 million, RMB1,488 million and RMB1,425 million, respectively, representing a decrease of 6.0%, 13.2% and 22.7%, respectively, compared to the same period of last year. Overall gross profit margin of the Group was 35.2%, showing a decrease of 3.1 percentage points as compared to the first half of last year. Profit before tax was RMB2,279 million, representing a year-on-year decrease of 15.7%; net profit decreased by 15.3% as compared to the corresponding period of last year to RMB1,706 million, with a net profit margin of 16.5%, representing a year-on-year decrease of 1.3 percentage points. Cash flow remained stable, with net cash amounting to RMB14,220 million.

Looking back to the first half of 2022, the Company actively promoted industrial upgrading, and various industries have achieved remarkable results, with highlights in product research and development, new product launch, innovative marketing and corporate governance. Looking ahead to the second half of the year, the Group will continue to improve its efficient innovation mechanism, expand its omni-channel platform, build an excellent team, so as to further consolidate its leading position in the snack food industry, continuously increase its market share in the ready-to-drink segment, promote the multi-dimensional development of plant-based protein industry, and increase the scale advantage and efficiency of the short shelf-life sector. The Group believes that the second half of the year will provide a more solid basis for growth and will strive to generate greater returns for shareholders.

HOUSEHOLD CONSUMPTION INDUSTRY

In the first half of 2022, the household consumption industry saw a strong growth momentum with an increase of 2.8% in sales revenue to RMB1,726 million in the first half of 2022 from RMB1,679 million in the first half of 2021, representing an increasing proportion of the Group's overall sales. Gross profit margin saw a decrease of 3.8 percentage points to 40.7%, mainly due to the faster growth rate of Meibeichen and the increased price of raw materials. After four years of construction, the household consumption industry has already established its leading position in the domestic market, with its brand influence becoming increasingly prominent, the channel network further enhanced, and the ecosystem of distributors becoming more and more complete. In the first half of 2022, the Group continued to enlarge its market shares and enhance its brand influence through introducing new products and strengthening promotion. The Group also continued to optimize its sales system and occupy new channels such as communities, consolidating terminal penetration and increasingly improving operation efficiency.

- **Meibeichen**

  With the development of China's economy, the level of urbanization continues to improve with a faster tempo of life. Meanwhile, customers' demand for convenient breakfast has become increasingly prominent and the frequency of consumption continues to rise, which resulted in a booming phase of development for the short shelf-life bread industry. As a leading national brand in the short shelf-life bread market, Meibeichen fully grasped the market trend and continuously facilitated the process of industrialization of the industry with its excellent product quality and strong capability in product category operation. In the first half of 2022, the sales revenue increased by 7.5% to RMB660 million.

In the first half of the year, Meibeichen continued to complete the ecosystem of distributors, optimize its operational mode, and further consolidate its development quality and efficiency. In terms of the construction of distributors' system, more specified evaluation indicators and methods of close cooperation were established, enabling timely data tracking and result feedback, which in turn helped distributors to enlarge its scale quickly and enhanced its profitability. In terms of the operational method, the Group further optimized its channels and networks, improving its operation efficiency and increasing the synergistic effect. In terms of new products, the Group introduced the mid shelf-life bread strategically, enabling the Group to achieve a new round of terminal expansion with lower costs and more flexible operation modes.

Looking ahead to the second half of this year, Meibeichen will continue to consolidate the development of the quality and quantity of the products, further scale up its sales and strengthen its brand competitiveness, with a view to becoming the most influential short shelf-life food brand in China.

- **Doubendou**

Given the increasing health awareness and concern over sustainable development by consumers in the wake of the pandemic, the plant-based protein category has witnessed rapid growth around the world and has gradually become a mainstream consumption product. In China, consumers' recognition of packaged soy milk has also been gradually increasing, and the overall market develops steadily.

As a leading brand in the soy milk industry, Doubendou has established an outstanding brand image and constructed a superb product matrix with industry-leading research and development abilities. In recent years, Doubendou has adhered to the product concept of being natural without additives and continued to conduct consumer education, leading the industrialization development and promoting the upgrading of the industry. In terms of the product, Doubendou introduced the new series of organic soy milk, using selected limited organic soybeans grew on black soil in Northeast China and techniques such as natural dietary fiber and original plant-based protein. The self-developed patent technology of "natural and anti additive" applied in the product has gained the Grand Prize of Science and Technology of China National Food Industry Association. With this product series, Doubendou further promoted the high-end transformation of the industry and shaped the high-end quality image of soy milk, providing more healthy and comprehensive plant nutrition for consumers. In terms of innovation and promotion, Doubendou promoted the healthy dieting concept of "one glass of soy milk and one glass of milk every day" together with authoritative industry associations and experts, carrying out in-depth dissemination of knowledge and the concept of "double protein" balanced diet. Through upgrading product portfolio and technology and innovative promotion, etc., Doubendou continues to promote the development of the industry and to build the new benchmark for plant nutrition. In the first half of 2022, the sales revenue increased by 0.1% to RMB1,066 million.

Looking ahead to the second half of the year, Doubendou will continue to contribute to improving healthy diet for citizens and advocate a new concept of healthy dieting. The Group believes that capitalizing on its capabilities of brand building and genre operation, Doubendou will lead the plant-based protein industry to achieve greater success.

SNACK FOOD INDUSTRY

As the long-term tendency of upgrading consumer quality and healthy diet becomes increasingly prominent, the snack food segment adhered to the new product strategy, promoting productivity by continuing to launch products that tasted fresher and more delicious with finer packaging. In the first half of 2022, due to the impact of the pandemic, the sales revenue decreased by 6.8% from RMB4,860 million for the first half of 2021 to RMB4,528 million, with gross profit margin decreasing by 2.4 percentage points, which is mainly attributable to the significant rise in the price of raw materials such as edible oil, eggs and sugar. In accordance with the market trend of channel segmentation, the Group optimized the distribution of resources, further improving the high-end process. Although being influenced by the short-term impact of the market environment, given the huge size and orderly industry landscape of the snack food market, the long-term positive trend remains unchanged. It is believed that as the effect of the industry upgrading manifests and the pandemic gradually dies down, our performance will resume a healthy growth.

- **Bakery**

  Bakery is the largest category among snack food in China and has maintained rapid growth in recent years. As a household brand in the bakery industry, Daliyuan has the largest market share in the industry and has built solid competitive strength with its diverse product portfolio, excellent brand reputation and extensive channel resources.

  The Group adheres to the new product strategy, continues to explore market potential, enriches product matrix and develops new channels based on different age groups, function demands and consumption scenarios. In the first half of 2022, Daliyuan carried out the "new transformation of the old product", launching the "brand new little white roll", the upgraded version of Swiss roll. The new product has more delicate appearances and fresh and soft taste, containing three kinds of new flavors favored by consumers, namely "cheese & berry", "lively yogurt", and "grapefruit & mango", continuing to consolidate Daliyuan's leading position in the segmented market of Swiss rolls, revitalizing the brand. The Landy Castle cookies gained the recognition of renowned judges of the International Taste Institute in Belgium and won the International Excellent Taste award, thus bringing great reputation to the brand. In terms of channels, the Group expanded high-quality terminal with new products, enhanced the deployment of the brand in high potential outlets, and promoted the high-end transformation of the channel structure.

Compared with developed countries, China's bakery market is still relatively less concentrated and the market share of the top players still has ample room for improvement. In the future, Daliyuan will continue to consolidate its existing advantages, promote new products and improve the efficiency of its channels to continue to drive up its revenue scale and gross profit level.

- **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. In the first half of 2022, Copico continued to carry out product upgrade, launching the new product "chips with small curls" with a unique figure. The new product uses original cut potatoes, accompanied with the curled figure, manifesting its crisp and strong taste; it uses a bright color palette on the package to produce strong vision impact, building up the easygoing and lively product characteristics, allowing the overall product to possess a better sense of quality and leading the new fashion of snacks. On the other hand, Copico invested heavily in innovative marketing, including the expansion of new live-streaming channels, to continue expanding its influence among young consumers.

  Looking forward, Copico will continue to capture the consumption trend of young consumers, invest in brand marketing and actively promote omni-channel sales through specialty products, thereby continuously increasing Copico's market share.

- **Biscuit**

  As a household brand in China's market, Haochidian has great brand awareness, with a comprehensive product portfolio covering a variety of consumption scenarios and consumer groups. In the first half of 2022, centered around the new generation of young consumers, Haochidian conducted the upgrade of product packaging based on different channel characteristics and demands, and in combination with market trends and fashion elements, driving brand rejuvenation.

  Looking forward, Haochidian will work on product positioning, promotion and channel 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

In the first half of 2022, the resurgence of the pandemic in China hindered economic activities to a certain extent, resulting in a lack of consumption scenarios for certain product categories. The sales revenue decreased by 19.5% from RMB3,683 million for the first half of 2021 to RMB2,965 million for the first half of 2022. The gross profit margin decreased by 2.0 percentage points to 48.0%, which was mainly due to the rise in the price of raw materials such as slices, while the influence of the increased price of raw materials was partially offset by the optimization of the product portfolio. In response to the challenges brought by the pandemic, the Group actively enhances the network system of channels, fully promotes the execution and initiative of the sales team and distributors by reforming team profit distribution and increasing the incentive of terminal outlets, as well as drives up the growth and strengthens brand quality with innovative products. It is believed that the Group's performance will also improve significantly as economic activities resume to normal.

- **Energy Drinks**

  As the tempo of society accelerates, the number of consumers who drink refreshing and anti-fatigue beverages and the frequency of consuming energy drinks have both increased, thereby contributing to a rapid growth in the energy drink market and a continued expansion of the market size, which makes it a high-quality competing category leading the beverage industry in recent years. Through differentiated specification positioning and brand promotion, Hi-Tiger has established a batch of faithful consumers among the industry, demonstrating prominent advantages as the leading brand. In the first half of 2022, due to the lack of consumption scenarios caused by the resurgence of the pandemic, the sales revenue of Hi-Tiger decreased by 7.8% on a year-on-year basis to RMB1,751 million.

  After the development of more than half a year, the channel profit distribution and team structure of Hi-Tiger were optimized, the channel liveliness was further released healthily, the terminal control was enhanced, and the original market was increasingly penetrated. In order to capture the rapidly increasing market opportunities, Hi-Tiger actively developed markets in new regions, and promoted the accelerated expansion of terminal layout by promoting existing distributors as well as introducing new distributors. In terms of the channel strategy, it focused on high output terminals, carried out scenario promotions and enlarged its brand influence. In the meantime, Hi-Tiger leveraged on its brand effect to stimulate the expansion of the downward reaching market and comprehensively expanded sales. In terms of brand promotion, Hi-Tiger continued to cooperate with online and offline professional sports competitions, enhancing its brand image as a professional energy drinks company.

In the future, Hi-Tiger will continue to strengthen its professional brand image, optimize the incentive mechanism and investments in channels and further increase the brand's penetration rate in the national market, thus consolidating and improving its position in the energy drinks market.

- **Herbal Tea**

Herbal tea has a broad and solid market volume and a stable price as its good market foundation. As a Chinese traditional characterized beverage, Heqizheng comes with its own China-chic and functional traits. While new opportunities are emerging endlessly at the moment, Heqizheng is now reconstructing the herbal tea brand and market layout through a series of innovative measures. In the first half of 2022, the sales revenue of the herbal tea industry decreased by 35.4% to RMB676 million due to the impact of the pandemic.

Currently, by renovating old products, inheriting tradition and adding the fashion element, Heqizheng has gained a relatively large market volume and brand recognition. In terms of product, Heqizheng has broken through the traditional image of herbal tea and launched the new herbal tea innovatively, integrating the specialized flavor of flower and tea and fulfilling the new need for a healthy lifestyle of young people. In terms of promotion, it adopted innovative promotion methods targeted on young consumers, creating topics and carrying out consumer interactions based on the China-chic style on new media platforms, gaining excellent consumer feedback. Heqizheng continues to nurture the drinking habits of young consumers through a series of measures, capturing the rapidly growing new tea beverage markets and promoting the reconstruction of the layout of herbal tea market.

Looking into the future, Heqizheng will continue to capture demands from young consumer groups and promote new product sales in a bid to achieve healthy sales growth.

OTHER FINANCIAL INFORMATION

Sales and Distribution Expenses

Sales and distribution expenses of the Group decreased by 9.7% from RMB2,042 million for the first half of 2021 to RMB1,843 million for the first half of 2022. Such expenses as a percentage of revenue decreased as compared to that of the first half of 2021, which was mainly attributable to the decrease in sales and distribution expenses as a result of the Group's control of expenses on product promotion and advertising on related channels.

Administrative Expenses

Administrative expenses of the Group increased by 12.1% from RMB341 million for the first half of 2021 to RMB382 million for the first half of 2022. Such expenses as a percentage of revenue increased as compared to that of the first half of 2021, which was mainly attributable to the increase in labor cost due to the rise of average remuneration of administrative staff and the implementation of the share incentive scheme.

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 deposit, cash and bank deposits increased from RMB16,647 million as at December 31, 2021 to RMB17,298 million as at June 30, 2022. The increase was mainly due to the Group's net operating cash inflow of RMB1,712 million in the first half of 2022, the cash outflow of RMB324 million from capital expenditures related to the purchase of machines and equipment and establishment of new plants, etc., and the changes in cash flows in relation to wealth management products, borrowings and share repurchase.

Inventories

The Group's inventories decreased by 14.8% from RMB1,194 million as at December 31, 2021 to RMB1,018 million as at June 30, 2022, mainly due to the fact that the Group effectively controlled inventories in accordance with market price fluctuations of raw materials. The inventory turnover days increased from 28.9 days in 2021 to 29.8 days as at June 30, 2022.

Trade Receivables

The Group's trade receivables increased by 6.1% from RMB1,371 million as at December 31, 2021 to RMB1,455 million as at June 30, 2022, primarily due to the Group's easing of credit terms for some channel distributors because of the continued impact of the domestic pandemic, resulting in the increase of trade receivables. The trade receivables turnover days increased from 18.3 days in 2021 to 24.7 days for the first half of 2022.

Trade and Bills Payables

The Group's trade and bills payables recorded a decrease of 22.4% from RMB1,028 million as at December 31, 2021 to RMB798 million as at June 30, 2022, mainly due to the Group's enhancement of control over inventory purchase in accordance with the material price fluctuations, resulting in a correspondent decrease in trade and bills payables. The trade and bills payables turnover days decreased from 25.6 days in 2021 to 24.6 days for the first half of 2022.

Borrowings

As of June 30, 2022, the balance of short-term loans of the Group was RMB5,445 million, of which 70.0% was denominated in RMB (December 31, 2021: RMB5,273 million). Such short-term loans of the Group are mainly unsecured bank borrowings with interest rates ranging from 1% to 3% per annum. Benefiting from various domestic macroeconomic policies and the policies of various financial institutions in support of serving the real economy, the Group obtained borrowings in relation to the supporting policies stated above.

As at June 30, 2022, the Group's gearing ratio was 32.7%. The gearing ratio is the total liabilities divided by equity plus total liabilities. The increase in gearing ratio from 29.8% in 2021 was mainly due to the Group's final dividend for 2021 remained unpaid as at June 30, 2022, as well as the repurchasing of shares related to employee share incentives.

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 Group 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 June 30, 2022, the Group's assets and liabilities denominated in HK$ 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 hedging activities.

Contingent Liabilities

As at June 30, 2022, the Group did not have any significant contingent liabilities.

Asset Pledge

As at June 30, 2022, the Group's pledged deposits amounted to RMB178 million (December 31, 2021: RMB831 thousand).

Use of Proceeds from the Listing

The shares of the Company were listed on the Main Board of The Stock Exchange on November 20, 2015 with net proceeds from the global offering of approximately HK$8,665 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company 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 June 30, 2022 were as follows:

Use of Proceeds from the Listing (As of June 30, 2022)

Unit: HK$ million

No.	Item	Percentage	Available	Utilized during the period ended June 30, 2022	Accumulated utilized as at June 30, 2022	Accumulated unutilized as at June 30, 2022	Expected timetable of the use of the unutilized net proceeds
1	Development, introduction and promotion of new products	20%	1,733	–	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 utilized on or before December 31, 2024
5	Working capital and other general corporate purposes	10%	866	–	866	–	N/A
Total		100%	8,665	–	6,065	2,600	

The Company does not intend to utilize the proceeds for purposes different from those stated in the Prospectus.

Capital Expenditures and Capital Commitments

The Group had capital expenditures of RMB324 million during the first half of 2022, primarily used for (i) construction of plants and workshops for new factories; and (ii) equipment upgrades and renovation for each production workshop of the plants.

As at June 30, 2022, the Group's capital commitments relating to property, plant and equipment were RMB479 million, primarily used for (i) construction of plants for new and expanded plants and procurement of equipment; and (ii) equipment upgrades for each factory.

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. The Group has made active efforts in establishing a sound talent selection and training mechanism to improve the overall competitiveness of employees and their sense of belonging to the Group. In the first half of 2022, the Group continued to introduce numerous professional talents, actively identified talents from the existing employees and jointly established a cultivation mechanism for the talents 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 optimize 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 June 30, 2022, the Group had a total of 40,573 employees (as at December 31, 2021: 40,745). 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 six months ended June 30, 2022, the total employee benefits expenses (including Directors' remuneration) were RMB1,338 million (for the six months ended June 30, 2021: RMB1,256 million), mainly attributable to the increase in the average remuneration of the Group's management personnel.

PROSPECTS

Looking ahead to the second half of 2022, the Group will continue to seize the opportunity of development with focus on growth to lead the trend of household consumption and healthy consumption, and continue to expand its market share and capture the incremental market. For the household consumption segment, the Group will promote the enhancement in both the quality and scale of sales of Meibeichen, further deepen the brand education and category education of Doubendou so as to facilitate the process of industrialization of plant-based protein. As for the snack food segment, the Group will adhere to the high-end product strategy to consolidate our leading position in the industry with innovative products. As for the ready-to-drink beverage segment, the Group will enhance the incentive mechanism for distributors and teams and step up our efforts in innovating our existing products. In terms of widening our channels, we will adhere to the omni-channel strategy, expand the coverage of modern channels, strengthen the construction of new channels and further promote the efficiency of traditional channels.

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.

In the future, Dali will adhere to the principle of "Creating Quality with Heart" with a pragmatic yet proactive corporate culture. We will keep our faith to offer more delicious and healthy products for the consumers and continue to strive for enormous returns for our shareholders.

DIVIDEND

On August 26, 2022, the Board has resolved to declare payment of an interim dividend of HK$0.071 per ordinary share for the six months ended June 30, 2022 (the "**2022 Interim Dividend**"), to shareholders whose names appear on the register of members of the Company on September 16, 2022. The declared 2022 Interim Dividend represents 50 per cent of the profit attributable to shareholders of the Company for the six months ended June 30, 2022.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the 2022 Interim Dividend, the register of members of the Company will be closed from Wednesday, September 14, 2022 to Friday, September 16, 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered. The record date for entitlement to the 2022 Interim Dividend is Friday, September 16, 2022. In order to qualify for the entitlement to receive the 2022 Interim 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 Tuesday, September 13, 2022. The payment date of the 2022 Interim Dividend is expected to be on Friday, September 30, 2022.

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 six months ended June 30, 2022, the Company has complied with the applicable code provisions set out in the CG Code, save and except for code provision C.2.1. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Code provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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 six months ended June 30, 2022.

AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022 have been reviewed by 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.

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 six months ended June 30, 2022.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event which has occurred to the Group after the six months ended June 30, 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.dali-group.com). The interim report of the Company for the six months ended June 30, 2022 will be dispatched to the shareholders of the Company 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, August 26, 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. LIU Xiaobin, Dr. LIN Zhijun and Mr. NG Kong Hing as independent non-executive Directors.