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, 2022

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, 2022, together with the comparative figures for the year 2021.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2022	2021	
	RMB'000	*RMB'000*	*% change*
Revenue	**19,957,199**	22,294,000	-10.5%
Gross profit	**7,023,954**	8,155,606	-13.9%
Gross profit margin	**35.2%**	36.6%	-1.4 percentage points
EBITDA	**4,777,240**	5,854,125	-18.4%
Net profit	**2,990,088**	3,725,225	-19.7%
Net profit margin	**15.0%**	16.7%	-1.7 percentage points
Earnings per share	**RMB0.22**	RMB0.27	-19.7%

DIVIDEND

The Board has resolved to declare payment of a final dividend of HK$0.053 per ordinary share, and a special dividend of HK$0.053 per ordinary share for the year ended December 31, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

		For the year ended December 31,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4(a)*	**19,957,199**	22,294,000
Cost of sales		**(12,933,245)**	(14,138,394)
Gross profit		**7,023,954**	8,155,606
Other income and gains	*4(b)*	**1,451,152**	1,428,745
Selling and distribution expenses		**(3,536,240)**	(3,884,073)
Administrative expenses		**(747,751)**	(628,358)
Finance costs	*6*	**(127,352)**	(86,241)
PROFIT BEFORE TAX	*5*	**4,063,763**	4,985,679
Income tax expense	*7*	**(1,073,675)**	(1,260,454)
PROFIT FOR THE YEAR		**2,990,088**	3,725,225
Attributable to:			
Owners of the parent		**2,990,088**	3,725,225

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2022

		For the year ended December 31,	
		2022	2021
	Note	***RMB'000***	*RMB'000*
PROFIT FOR THE YEAR		**2,990,088**	3,725,225
OTHER COMPREHENSIVE INCOME			
Exchange differences:			
Exchange differences on translation of foreign operations		**(83,871)**	6,565
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(83,871)**	6,565
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(83,871)**	6,565
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,906,217**	3,731,790
Total comprehensive income attributable to:			
Owners of the parent		**2,906,217**	3,731,790
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
— For profit for the year		**RMB0.22**	RMB0.27
Diluted			
— For profit for the year		**RMB0.22**	RMB0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Notes	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,573,032**	5,309,988
Investment property		**207,121**	216,504
Right-of-use assets		**669,349**	702,726
Intangible assets		**1,033**	1,152
Prepayments		**214,070**	365,228
Deferred tax assets		**53,105**	47,479
Total non-current assets		**6,717,710**	6,643,077
CURRENT ASSETS			
Inventories		**1,062,910**	1,194,257
Trade receivables	*10*	**1,493,776**	1,371,487
Prepayments and other receivables		**989,986**	1,050,093
Financial assets at fair value through profit or loss		**–**	500,000
Pledged deposits		**69,058**	831
Cash and bank balances		**16,669,944**	16,645,709
Total current assets		**20,285,674**	20,762,377
CURRENT LIABILITIES			
Trade payables	*11*	**974,624**	1,028,354
Other payables and accruals		**1,205,044**	1,190,383
Interest-bearing bank borrowings		**5,457,823**	5,272,601
Lease liabilities		**18,626**	18,501
Tax payable		**219,326**	205,450
Total current liabilities		**7,875,443**	7,715,289
NET CURRENT ASSETS		**12,410,231**	13,047,088
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,127,941**	19,690,165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AS AT DECEMBER 31, 2022

	As at December 31, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**32,000**	–
Lease liabilities	**477**	18,061
Deferred income	**332,154**	336,584
Deferred tax liabilities	**69,302**	99,496
Total non-current liabilities	**433,933**	454,141
NET ASSETS	**18,694,008**	19,236,024
EQUITY		
Equity attributable to owners of the parent		
Share capital	**112,712**	112,712
Reserves	**18,581,296**	19,123,312
Total equity	**18,694,008**	19,236,024

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 and Hi-Tiger Limited (together known as the "**Controlling Shareholders**").

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, 2022. 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).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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 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

The nature and the impact of the revised HKFRSs that are applicable to the Group 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* (the "**Conceptual Framework**") 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 business combinations during the year, 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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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.

2.2 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 from January 1, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-Current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., January 1, 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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.

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, 2022	**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	**3,704,740**	**9,029,759**	**5,123,163**	**2,080,781**	**19,938,443**
Other revenue	**–**	**–**	**–**	**18,756**	**18,756**
					19,957,199
Segment gross profit	**1,511,641**	**3,104,098**	**2,368,997**	**39,218**	**7,023,954**
Reconciliation:					
Other income and gains					**1,451,152**
Selling and distribution expenses					**(3,536,240)**
Administrative expenses					**(747,751)**
Finance costs					**(127,352)**
Profit before tax					**4,063,763**
Other segment information					
Depreciation and amortisation	**124,571**	**167,922**	**178,617**	**9,382**	**480,492**
Capital expenditure*					
Allocated	**114,562**	**242,670**	**285,820**	**–**	**643,052**
Unallocated					**27,228**
Total capital expenditure					**670,280**

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

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 amortisation	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
Total capital expenditure					1,339,061

* 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 goods 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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**19,938,443**	22,274,399
Revenue from other sources		
Gross rental income from investment property operating leases	**18,756**	19,601
	19,957,199	22,294,000

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2022

Segments	**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	**3,704,740**	**9,029,759**	**5,123,163**	**2,080,781**	**19,938,443**
Timing of revenue recognition					
Goods transferred at a point in time	**3,704,740**	**9,029,759**	**5,123,163**	**2,080,781**	**19,938,443**

For the year ended December 31, 2021

Segments	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

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**300,941**	510,855

(ii) Performance obligations

Information about the Group's performance obligation 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

	2022	2021
	RMB'000	*RMB'000*
Bank interest income, net	**829,386**	676,505
Government grants*	**546,572**	672,319
Income from sales of scrap, net	**72,647**	75,819
Gain on disposal of items of property, plant and equipment	**255**	863
Foreign exchange differences, net	**1,142**	2,961
Others	**1,150**	278
	1,451,152	1,428,745

* 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):

		2022	2021
		RMB'000	*RMB'000*
(a)	**Cost of sales:**		
	Cost of inventories sold	**11,106,145**	12,061,018
(b)	**Employee benefit expenses (including directors' and chief executive's remuneration):**		
	Wages and salaries	**2,135,659**	2,219,730
	Equity-settled share award expense	**60,397**	–
	Pension scheme contributions, social welfare and other welfare	**360,464**	318,409
		2,556,520	2,538,139
(c)	**Other items:**		
	Depreciation of property, plant and equipment	**542,527**	738,853
	Depreciation of investment property	**9,383**	9,413
	Depreciation of right-of-use assets	**33,665**	33,149
	Amortisation of intangible assets	**550**	790
	Promotion and advertising expenses	**1,813,733**	2,116,738
	Research and development costs	**75,251**	69,292
	Foreign exchange differences, net	**(1,142)**	(2,961)
	Bank interest income *(note 4(b))*	**(829,386)**	(676,505)
	Net loss on disposal of items of property, plant and equipment	**2,079**	419
	Government grants *(note 4(b))*	**(546,572)**	(672,319)
	Impairment of trade receivables *(note 10)*	**3,591**	4,351
	Write-down of inventories	**1,350**	1,780

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:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**125,990**	84,129
Interest on lease liabilities	**1,362**	2,112
	127,352	86,241

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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2021: HKD2,000,000) 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 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:

	2022	2021
	RMB'000	*RMB'000*
Current income tax	**1,109,495**	1,213,885
Deferred income tax	**35,820**	46,569
Total tax charge for the year	**1,073,675**	1,260,454

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:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**4,063,763**	4,985,679
Tax at the statutory tax rate (25%)	**1,015,941**	1,246,420
Effect of tax relief enjoyed by certain subsidiaries	**(38,051)**	(69,004)
Tax incentive in relation to deduction of certain expense	**(7,515)**	(7,308)
Tax losses utilised from previous periods	**(468)**	(2,073)
Income not subject to tax*	**(9,514)**	(12,730)
Expenses not deductible for tax	**1,826**	1,706
Unrecognised tax losses	**4,463**	3,212
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**106,993**	100,231
Tax charge at the Group's effective rate	**1,073,675**	1,260,454

* 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 13,370,854,630 (2021: 13,694,117,500) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,990,088**	3,725,225

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**13,370,854,630**	13,694,117,500
Effect of dilution — weighted average number of ordinary shares:		
Equity-settled share award	**14,637,752**	–
	13,385,492,382	13,694,117,500

9. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Interim — HKD0.071 (2021 Interim: HKD0.087) per ordinary share	**839,047**	992,498
Proposed final and special — HKD0.106 (2021 Final: HKD0.076) per ordinary share	**1,284,465**	889,792
	2,123,512	1,882,290

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

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,509,609**	1,383,729
Impairment	**(15,833)**	(12,242)
	1,493,776	1,371,487

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

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**1,386,819**	1,198,171
91 to 180 days	**74,173**	163,122
181 to 365 days	**32,784**	10,194
	1,493,776	1,371,487

10. TRADE RECEIVABLES *(continued)*

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of year	**12,242**	7,891
Impairment losses *(note 5(c))*	**3,591**	4,351
At the end of year	**15,833**	12,242

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing 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.

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, 2022

	Within 90 days	**91 to 180 days**	**181 to 365 days**	**Total**
Expected credit loss rate	**0.34%**	**0.50%**	**24.54%**	**1.05%**
Gross carrying amount *(RMB'000)*	**1,391,618**	**74,543**	**43,448**	**1,509,609**
Expected credit losses *(RMB'000)*	**4,799**	**370**	**10,664**	**15,833**

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

11. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**974,624**	1,028,354

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

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**950,907**	1,018,249
91 to 365 days	**22,629**	7,871
1 to 2 years	**869**	873
Over 2 years	**219**	1,361
	974,624	1,028,354

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, under the impact of the pandemic and extreme weather conditions, coupled with the volatile geopolitical situation, the macro environment in China faced greater complexity and severity. Although the optimisation of pandemic prevention and control policies brought about an orderly recovery of consumption scenarios, uncertainties still existed in the short term, in addition to the economic slowdown which made consumers more rational about their spendings. In the face of this volatile environment, the Group is planning various strategies to capture growth opportunities. In the long run, the long-term positive fundamentals of Chinese consumption remain unchanged and the consumption structure will continue to be optimised and upgraded.

The Group is a leading food and beverage company in China with a diversified presence across multiple categories and industrial segments, a number of highly recognized consumer brands, and a core competitive advantage built through an extensive and in-depth nationwide channel network. Looking back on 2022, the Group continued to consolidate its leading edge, capture market opportunities in various industry segments and make significant improvements in channel management, product innovation, precision marketing, team building and social responsibility. With the recovery of consumption scenarios after the pandemic, the Group's solid foundation in offline channels and the implementation of efficient internal mechanisms will further strengthen its competitive advantages, driving a healthy and steady growth in performance.

Strategic presence across categories and continuous innovation for the future: From an industry perspective, the snack food industry, being a trillions-worth market, is the largest contributor to our sales, in which its market and presence provide huge room for the Group's long-term steady growth. Although the sales revenue of the snack food segment declined due to the pandemic, it will continue to gain market share in the future through product upgrades and emerging markets; the household consumption segment benefits from consumers' demand for convenient breakfast, with obvious competitive edges and strong growth opportunities brought by continuous market cultivation, resulting in solid sales growth; in the ready-to-drink beverage segment, consumer demand for energy drinks was expanded, and although the lack of consumption scenarios and cost policy adjustments have led to a year-on-year decline in sales, high growth is expected with the repair of travel and consumption scenarios and the optimization of people and organisation. The Group is committed to providing consumers with healthier, more nutritious and greener products. In 2022, Doubendou launched a high-end plant-based organic soy milk series with a higher sense of quality, and its self-developed "zero-additive natural soy milk whole bean production technology" won the Grand Prize of Science and Technology Award from the China National Food Industry Association (中國食品工業協會科學技術獎特等獎), demonstrating its strong technological research and development ability. With consumer-centric approach, the Group capitalised on the trend of high-quality in the face of consumption upgrading and enhanced its brand positioning with stronger product power, and relied on an optimised product portfolio and high value-added new products to further boost profit levels, with gross profit margins in the snack food and household consumption segments improving significantly in the second half of the year compared to the first half.

A brand matrix with high consumer recognition and continued brand rejuvenation: The Group's multi-brand and multi-category strategy drives sustainable growth and continues to inject brand momentum in long-term accumulation. The sales of seven core brands exceeded RMB1 billion, with four of them exceeding RMB2 billion. Daliyuan and Doubendou ranked No. 1 in the Chinese market, while Copico and Haochidian ranked No. 1 among domestic brands. With products that closely match consumer preferences and a diversified product portfolio that meets the needs of various consumption scenarios, the Group has significant brand recognition and reputation in the minds of consumers. On this basis, the Group has further deepened its marketing capabilities in a number of areas to consolidate brand assets, enhance user loyalty and pursue long-term brand development. Firstly, innovative and precise marketing strategies were developed based on core consumer needs to deepen consumer education and drive industrial upgrade. For example, as a leading brand in the soy milk industry, Doubendou, in conjunction with national authorities and experts, released the Consensus on Nutrition, Health and Consumption of Soy Milk (《豆奶營養健康與消費共識》). Secondly, in terms of reaching target consumers with precision and efficiency, the Group communicated closely with young people through social media channels such as Weibo, Xiaohongshu and Douyin, deepened its emotional connection with household consumers through marketing media such as big screens, elevator media and TV dramas, and conducted precision marketing according to the consumer groups of different brands to emphasise a differentiated brand image. To improve the efficiency of marketing spending, the Group continued to refine its teamwork and enhance internal and external collaborations, strengthening team cooperation and using innovative marketing methods to boost marketing efficiency.

Leveraging the advantages of extensive channels and enhancing the professional operation capability of the team: The Group has the core advantage of a nationwide channel network which cannot be replicated by other industry players. The Group has established long-term and stable business relationships with over 6,000 distributors to achieve large-scale expansion of retail outlets, covering millions of sales outlets. Combined with 36 food and beverage production bases across the country, this enables new products to reach mass consumers efficiently and with significant channel synergies, laying a solid foundation for a better unleashing of the potential advantages of the multi-brand and multi-category strategy. In 2022, the Group further defined business indicators and visualised data management, optimised profit distribution mechanism to enhance retail outlet activity and profit levels, and continued to consolidate long-term win-win relationships with distributors. In terms of channel operation, the Group enhanced the professional operation capability of the team through a divisional organisation structure to further develop the market and improve efficiency, while refining the management of outlets and improving outlet control. The breakfast division has further increased its support for distributors to create a quality nationwide infrastructure to accelerate healthy sales growth and consolidate its leading position. As an energy drink brand highly recognised by consumers, Hi-Tiger optimised its operational capabilities in terms of sales management, outlet coverage and shelf display to further strengthen retail outlet coverage. With the increase in quality outlets and refinement of channel operations, the Group will be in a better position to grasp the growth opportunities from a wide range of product categories, and the effect of people and be realized organisation optimization will continue to be realized, laying a solid foundation for long-term sound growth. The Group believes that talent is one of the core competitiveness of an enterprise. In terms of team management, the Group adheres to a people-oriented approach strives to maximize the potential of its employees. In recent years, the Group has been strengthening its performance evaluation system, bringing in quality talents and improving team management; in terms of professional operations, the Group has built a sound corporate organisational structure to continuously promote efficient operations and sustainable development. In 2022, the Group continued to bring in professional talents, optimise performance targets and incentive mechanisms, improve the professionalism of its teams and continuously strengthen its overall efficiency. In order to further motivate employees and to further enhance the Group's strategic growth in the future, the Board resolved in January 2023 to grant a total of 224,330,000 incentive shares to the Group's employees and senior management under a share award scheme, further tying the long-term interests of core employees to the enterprise and also creating effective conditions for the recruitment of new teams.

Practicing social responsibility and exploring sustainable development: As one of the leaders in the food and beverage industry in China, the Group attaches great importance to environmental and climate management as well as social responsibility. In terms of the environment and climate and carbon neutrality, the Group has continued to improve the collection and analysis of data resources related to environmental governance in recent years, putting green concepts into practice and working with third-party organisations to jointly identify, assess and manage risks and opportunities arising from the environment and climate, and exploring sustainable business models in various aspects such as resource efficiency, supply chain management and product planning in the long term. In terms of public welfare, the Group attaches great importance to social responsibility and continues to deliver a positive voice to the community through practical actions, having set up numerous charity funds. Coinciding with the 20th anniversary of Daliyuan, the Group, together with the China Youth Development Foundation, launched the "Care for Left-behind Children, Smile to Embrace Hope" (關愛留守兒童，笑臉助力希望) charity campaign on June 1, the International Children's Day, to support the construction of Hope Primary Schools and showcase its public welfare image. During the pandemic, the Group actively took up its social responsibility by donating materials to the Shanghai Children's Foundation and other charity organisations to help the people affected by the pandemic.

In 2022, the Group's revenue reached RMB19,957 million, representing a year-on-year decrease of 10.5%, of which, revenue from the household consumption segment increased to RMB3,705 million with a year-on-year increase of 1.9%; revenue from the snack food segment decreased to RMB9,030 million with a year-on-year decrease of 9.2%; and revenue from the ready-to-drink beverage segment decreased to RMB5,123 million with a year-on-year decrease of 22.3%. Gross profit amounted to RMB7,024 million, representing a year-on-year decrease of 13.9%. Gross profit of the household consumption, snack food and ready-to-drink beverage segments were RMB1,512 million, RMB3,104 million and RMB2,369 million, respectively, representing a year-on-year decrease of 3.3%, 8.7% and 24.8%, respectively. The Group has a profit level that is significantly better than the industry average. Its overall gross profit margin was 35.2%, showing a decrease of 1.4 percentage points as compared to last year. Profit before tax was RMB4,064 million, representing a year-on-year decrease of 18.5%; net profit decreased by 19.7% year-on-year to RMB2,990 million, with a net profit margin of 15.0%, representing a year-on-year decrease of 1.7 percentage points. Net cash reached RMB11,249 million at the end of the year.

With the upgrading of consumption, enrichment of scenarios and emergence of innovative products, the consumer market will continue to expand in the future and there will be huge room for market development. Looking ahead to 2023, the Group will continue to promote healthy growth in snack food, stimulate the ready-to-drink beverage segment to show new market dynamics, promote the premium quality and innovation of plant-based products, and expand the layout and scale of the quality retail outlets of short shelf-life products. At the same time, benefiting from the implementation of the share incentive scheme, the team's professional execution capability and more efficient organisational system will further drive performance enhancement. With the Group's deep accumulated advantages in products and channels over the years and the more effective and dynamic organisational structure, the growth potential of business performance is expected to be realized continuously, which will create greater returns for shareholders.

SNACK FOOD BUSINESS

At present, the snack food business has reached a market worth of trillions RMB, with a relatively low market concentration, but the industry concentration will further improve along with the rising costs of labour, brand investment, sustainable production resulting in a competitive landscape dominated by the stronger industry players. Meanwhile, with the recovery of consumption scenarios and the prominent effect of industrial upgrade, the advantages of leading enterprises in the whole industry chain and industry chain and channel layout are becoming increasingly obvious.

As a representative brand of snack food in China, the Group has developed in the industry for two decades, building a multi-brand and multi-category business portfolio with the largest industrial scale and development potential in China, and has established an extensive nationwide channel network. In 2022, due to the impact of the epidemic, our sales revenue decreased by 9.2% to RMB9,030 million from RMB9,943 million in 2021, and our gross profit margin increased by 0.2 percentage point to 34.4%, which was mainly due to the optimised product portfolio that offset the impact of the significant price increase in raw materials such as edible oil, eggs and sugar.

In recent years, the Group has continued to build the professional retail sales teams and enhance the maintenance and development of outlets. At the same time, the profit distribution mechanism with distributors has been optimised to enhance the motivation and profit level of distributors and establish long-term win-win relationships. On this basis, the Group's retail penetration rate continued to increase, enabling an optimised product portfolio and high-value new products to reach consumers more effectively and comprehensively. The Group is deeply engaged in traditional and modern channels and has an irreplaceable dominant advantage in channel layout. It is believed that the Group's offline channel advantages will continue to be released as the consumer scenario resumes.

With the long-term trend of consumption quality upgrading and healthy diet becoming increasingly evident, snack food has grasped the healthy and green consumer demand, made continuous breakthroughs in research and development, tapped into upstream quality production sources and raw materials to provide consumers with high quality products, and continuously upgraded and rolled out new products with a more youthful look, including soda biscuits, small curved chips, wafers, cookies, etc., to enhance the brand image.

- **Bakery**

  Bakery is the largest category among snack food in China. Compared to developed countries, China's per capita consumption of bakery is still relatively low. Companies with strong brand power, R&D capabilities and channel resources will be able to further expand their sales scale and increase their market share.

  As a household name in the bakery industry, Daliyuan has, over the past decade, consistently topped the market share of the industry in terms of sales volume, and has built up a solid competitive advantage based on its prominent leading position in niche categories and its well-established brand image.

In 2022, Daliyuan utilised high-value new products to enhance profit margins and further optimised its management and investment in channels. In terms of products, the Group has always adhered to the brand philosophy of "Creating Quality with Heart", strictly controlled the product quality and kept bringing healthy and delicious bakery products to consumers while actively keeping abreast of the personalised and youthful consumer trend. In 2022, Daliyuan focused on creating single products such as tiramisu pie and whole wheat bread to further enhance its healthy brand image, and partnered with the Forbidden City to launch a 20th anniversary gift box, continuously injecting new vitality into the national brand. Leveraging on product portfolio optimisation and high-value new products, the Group's product pricing power and bargaining power on the channel side continued to increase. It also continued to strengthen the investment in its retail sales team and digital management while continuously expanding modern channels and promoting the upgrading of channel structure on the basis of consolidating the advantages of traditional channels.

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 drive up revenue scale and gross profit levels.

- **Chips, Fries and Others**

Benefiting from the support of young consumers, the chips market in China is developing rapidly, with the market scale expanding continuously and maintaining healthy compound growth over the past decade. Under the general trend of consumption upgrading, young consumers' demand for quality ingredients and healthy food has increased, and the industry's entry threshold and process requirements have continued to rise, promoting the concentration of top brands.

As the leading brand of chips in China, Copico has been number one in the industry for 10 consecutive years and has a good reputation among young consumers, a well-established consumer base, a strong R&D capability and a diversified product matrix. Copico has accurately captured the preferences of young consumers and continuously optimised its products and marketing to further build a youthful brand image. In terms of product processing, Copico has selected premium potato varieties to launch its pure cut series, and has strengthened its control over raw materials and product quality with an in-depth layout of upstream provenance and nationwide production scale. In terms of product innovation, Copico launched the new "chips with small curls", which optimises the specifications and packaging of the original pure cut chips to enhance taste and meet the individual needs of young consumers, presenting a differentiated product image at the retail end. At the same time, the Group continued to invest in innovative marketing and deepen its efforts in younger generation oriented marketing scenarios such as campuses to maintain close and multi-dimensional communication with young consumers.

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

- **Biscuit**

  Despite years of development of the biscuit market, there is still a gap in the market scale compared with developed countries. Driven by the continuous extension of consumption scenarios, the industry still has much room for expansion.

  As the No. 1 national biscuit brand, Haochidian has great brand awareness, with a comprehensive product portfolio, covering a variety of consumption scenarios and consumer groups. In 2022, starting from the expansion of consumption scenarios, the Group continued to explore niche categories and further laid out high-value potential product lines such as soda, cookies and wafers to cover a wider range of consumers groups and move towards the high-end development. The "SOULDAR" soda biscuit series caters to the healthier needs of consumers; the "Veekin" wafer series is designated to meet consumers' individual preference in flavour in casual consumption scenarios and continues to expand in the market along with consumer upgrading; the "Landy Castle" biscuit series was awarded the Superior Taste Award by the renowned judges of the Belgium-based International Taste Institute. Its excellent taste and packaging design fully meet the needs of gifting. In response to the diversified consumption scenarios, the Group has continuously upgraded its channels and actively developed new incremental channels such as convenience stores and snack chain stores, so as to closely interact with consumers by providing a more convenient and instant consumption experience.

  Looking ahead, Haochidian will build a multi-dimensional product structure, further explore its core competitiveness in terms of products, channels and marketing, promote the high-end development of the brand and expand its influence.

HOUSEHOLD CONSUMPTION BUSINESS

In 2022, the household consumption business saw a stable growth momentum with an increase in sales revenue by 1.9% to RMB3,705 million in 2022 from RMB3,635 million in 2021, accounting for 18.6% of the sales of the Group. Gross profit margin saw a decrease of 2.2 percentage points to 40.8%, mainly due to the price increase of raw materials. With the Group's continuous investment in and optimisation of its sales system and channel network, the household consumption business has established a leading market position nationwide. In the future, the Group will continue its brand and channel building while enhancing its brand reputation continuously through innovative marketing of products, good channels and retail experience to further drive high quality revenue and gross profit growth.

- **Short Shelf-life Bread**

  As consumers' consumption levels rise and the pace of life accelerates under the urbanisation process, consumer demands for convenient breakfast is becoming more and more prominent. The penetration rate of short shelf-life bread continued to increase due to its fresh, nutritious and tasty product characteristics which meet consumers' higher requirements for convenience and quality. At the same time, the barriers to entry in the industry has further increased as consumers attach greater importance to the brand reputation of short shelf-life bread.

  As a leading brand of short shelf-life bread, Meibeichen has maintained its position as top two market leaders since its launch in 2018. With a nationwide infrastructure and a wide retail network, it currently covers over 150,000 retail outlets, with an obvious scale advantage. Based on quality research and development processes, it continues to launch affordable and quality products to meet the diverse needs of consumers. Although the transportation chain and offline consumption scenario of short shelf-life bread was impacted to a certain degree by the control measures during the pandemic, the Group promptly adjusted its product strategy in a timely manner to replenish some of its medium shelf-life products, demonstrating its flexible operation capability under the uncertain environment. In 2022, sales revenue increased by 3.5% to RMB1,438 million.

  Meibeichen always emphasises product differentiation and functionality and continues to refine its product matrix. In 2022, it launched ready-to-eat burgers and other best-selling products, which were well accepted by young consumers. It has continuously optimised its distributor system, strengthened its management and resource investment in distributors, set refined targets for distributors at different stages of development, enhanced focus and profitability, and established a solid partnership. In terms of retail outlets, with the recovery of the offline consumption scenario, we continued to expand our quality retail outlets represented by supermarkets and school channels.

  Looking ahead to 2023, as a nationwide leading brand in short shelf-life bread, Meibeichen will continue to strengthen sales quality, expand market share, improve operational efficiency and continue to provide affordable and quality products for consumers.

- **Soy Milk**

  In recent years, with the increasing health awareness and concern over sustainable development by consumers, plant-based products have seen rapid growth and are becoming the mainstream around the world. Soy is one of the most nutritious and marketable plant-based products, which has high nutritional value and is easily accessible on a large scale. Compared to overseas markets, the per capita consumption of packaged soy milk in China is still very low and there is ample room for improvement. As consumers' awareness of the nutritional value of soy milk continues to rise and the consumer population continues to expand, there is huge scope for market expansion and further concentration for top brands.

  Since 2021, Doubendou has been the number one leading brand in the soy milk industry, and its market share has continued to rise. Benefited from the gradual reveal of the outcome of category education, the further enrichment of the product ecology and the continuous improvement of the channel network, Doubenbou continued to lead industrial development and ride on the wind of health to build a new benchmark for plant-based nutrition. In 2022, sales revenue increased by 0.9% to RMB2,266 million.

  - In terms of consumer education, in 2022, Doubendou, together with authoritative institutions and experts, released the Consensus on Nutrition, Health and Consumption of Soy Milk ("豆奶營養健康與消費共識"), and joined hands with industry experts to promote the healthy diet concept of "two cups of milk per day, one for soy milk and one for cow milk", deeply disseminating the knowledge and concept of "double protein" balanced diet and broadening the capacity of the soy milk industry.

  - In terms of products, Doubendou has been introducing new products under the continuous refinement of the research and development processes. The latest research and development process "zero-additive natural soy milk whole bean production technology" provides consumers with healthier and more comprehensive plant nutritional value, and continues to expand on the basis of organic whole soy milk products, launching organic whole soy milk, organic pure soy milk, organic black soy milk and other organic series to establish a high-end healthy brand image.

  - In terms of distributor management, we brought in high quality distributors through reasonable profit distribution, leveraged our resource advantages and achieved diversified network coverage in supermarkets, restaurants, schools and convenience stores, with sales quality constantly improving.

Looking ahead to 2023, Doubendou will continue to help improve national dietary health, and further lead the healthy development of the soy milk industry through continuous refinement of technological processes and innovative marketing. The Group believes that with its capabilities in product creation, brand operation and channel expansion, Doubendou will continue to empower the industry and lead the plant-based industry to greater success, benefiting from both market growth and increase in market share in the future.

READY-TO-DRINK BEVERAGE INDUSTRY

In 2022, the recurrence of the pandemic brought about a certain lack of offline consumption scenarios. The sales revenue of the Group's ready-to-drink beverage segment decreased by 22.3% from RMB6,596 million in 2021 to RMB5,123 million in 2022, and the gross profit margin decreased by 1.6 percentage points to 46.2%, which was mainly due to the rising price of raw materials such as paper sheets, partially offset by product portfolio optimisation. In the face of the challenges brought by the pandemic, the Group focused on long-term value, strengthened the construction of and control over retail outlets, stabilised price levels and brand image, fully enhanced the execution and motivation of the sales team and distributors by optimising team assessment indicators and cooperation mechanisms, etc., and improved the channel network system. The Group believes that with the recovery of economic activities and consumption scenarios after the pandemic and the enhancement of the team's professional execution capability, the revenue of ready-to-drink beverages will improve significantly.

- **Energy Drinks**

  As the pace of society accelerates and the number of people engaged in fitness and sports increases, the consumer base of energy drinks has been expanding, covering two major consumption scenarios: work and leisure sports, with a rapid growth in the market and a continued expansion of the market size. Relying on the clear functional attributes of the products, energy drinks show high user stickiness and high repurchase rate, and have become a high-quality competing category leading the beverage industry in recent years. Meanwhile, the recovery of outdoor sports and events after the pandemic will further inject growth vitality into the category.

  Through professional brand image, differentiated specification positioning and strong channel network, Hi-Tiger has built up a loyal consumer base in the industry, highlighting its advantages as a leading brand. In 2022, due to the lack of offline consumption scenarios caused by the resurgence of the pandemic, the sales revenue of Hi-Tiger decreased year-on-year by 12.4% to RMB2,823 million.

In 2022, Hi-Tiger strengthened the construction of retail outlets and the development of high-quality outlets, enhancing the quality of high-output outlets through freezer displays and other means, while further strengthening its ability to operate retail outlets through the optimisation of team structure and the enhancement of incentive mechanisms to strengthen ground team execution capabilities and digital management. In terms of brand marketing, it continued to cooperate with professional sports events both online and offline to establish a professional brand image and attract target consumers.

Looking ahead, Hi-Tiger's strong channel network and continuous channel construction will enable it to benefit significantly from the recovery of consumption scenarios after the pandemic. On the other hand, Hi-Tiger will actively grasp the opportunities brought about by the changing competitive landscape and continue to strengthen its brand image as a professional energy drink to enhance the brand's market share while actively capturing incremental market growth.

- **Tea Beverages**

China's tea culture has a history of thousands of years and a huge consumer base. As a product derived from traditional tea drinks, herbal tea beverages can meet a variety of consumption scenarios, such as spending, emotion and social interaction, and have now reached a market size of 100 billion. In recent years, ready-to-drink tea beverages products have been upgraded centering around high-quality, high-end raw materials and packaging, with huge development potential. The Group's ready-to-drink tea beverages segment includes herbal tea, the "Tea U" series and other tea beverages, with an enriched product matrix and effective synergy. Due to the pandemic, the sales revenue of tea beverages decreased by 32.3% to RMB1,524 million in 2022.

Herbal tea has hundreds of years of cultural accumulation, with extensive and robust market capacity, good foundation and stable prices. As a leader deeply engaged in the herbal tea industry, Heqizheng has empowered industry upgrades through a series of innovative initiatives. In 2022, Heqizheng broke the industry boundaries by launching the new herbal tea "He Tea", which incorporates the special flavours of flowers and tea into the traditional herbal tea, highlighting the low-sugar herbal tea formula with flowers and tea, catering to the daily little health needs of young consumers. In terms of marketing, with newcomers in the workplace and college students as the target consumer groups, Heqizheng created a number of trending topics on various new media platforms to communicate and interact with young consumers, which achieved good consumer feedback. Through continuous innovation in product and marketing strategies, Heqizheng is precisely meets the needs of young consumers and seizes the opportunity of the fast-growing new tea beverages market to inject new vitality into the herbal tea industry.

With consumers' increasing health consciousness, the market size of sugar-free and low-sugar beverages is growing rapidly. The Group is keenly aware of the market trend with its long-term product accumulation and insights on users, has launched the "Tea U" series, a new tea product focusing on sugar-free pure tea and low-sugar fruit tea, with healthy and green ingredients and innovative packaging to enhance the brand image. It will attract young consumers and drive growth.

Looking ahead, ready-to-drink tea beverages will continue to cultivate a young consumer base through innovative products to enhance brand perception and achieve healthy growth in sales quality.

OTHER FINANCIAL INFORMATION

- **Selling and distribution expenses**

  Selling and distribution expenses of the Group decreased by 9.0% from RMB3,884 million in 2021 to RMB3,536 million in 2022, which was mainly due to the decrease in marketing and promotion costs. Such expenses as a percentage of revenue increased from 17.4% in 2021 to 17.7% in 2022.

- **Administrative Expenses**

  The Group's administrative expenses increased by 19.0% from RMB628 million in 2021 to RMB748 million in 2022. Such expenses as a percentage of revenue increased from 2.8% in 2021 to 3.7% in 2022, mainly due to the increase in personnel cost as a result of the implementation of its share award scheme.

- **Cash**

  The Group meets its liquidity needs mainly through cash flow generated from operation. The total value of the Group's pledged deposits, cash and bank deposits increased from RMB16,647 million as at December 31, 2021 to RMB16,739 million as at December 31, 2022.

- **Inventories**

  The Group's inventories decreased by 11.0% from RMB1,194 million as at December 31, 2021 to RMB1,063 million as at December 31, 2022. It was mainly due to the decrease in the balance of finished goods at the end of the year as a result of the Group's more effective control over finished goods inventory in line with the market demand for its products. The inventory turnover days increased from 28.9 days in 2021 to 31.4 days in 2022.

- **Trade Receivables**

  The Group's trade receivables increased by 8.9% from RMB1,371 million as at December 31, 2021 to RMB1,494 million as at December 31, 2022. It was mainly because the Group eased the credit terms for certain high-quality distributors, which led to the increase in trade receivables. The trade receivables turnover days increased from 18.3 days in 2021 to 25.8 days in 2022.

- **Trade Payables**

  The Group's trade payables decreased by 5.2% from RMB1,028 million as at December 31, 2021 to RMB975 million as at December 31, 2022, which remained relatively flat as compared to last year. The trade payables turnover days increased from 25.6 days in 2021 to 27.9 days in 2022.

- **Borrowings**

  As of December 31, 2022, the balance of loans of the Group was RMB5,490 million (December 31, 2021: RMB5,273 million). The loans of the Group are unsecured bank borrowings with interest rates ranging from 1% to 5% per annum.

  As at December 31, 2022, the Group's gearing ratio was 30.8%. The gearing ratio is the total liabilities divided by equity plus total liabilities. The slight increase in gearing ratio from 29.8% as at December 31, 2021 was mainly due to the addition of unsecured bank loans of the Group in 2022.

- **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 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 December 31, 2022, 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, 2022, the Group did not have any significant contingent liabilities.

- **Pledge of Assets**

As at December 31, 2022, the Group's balance of pledge deposits amounted to RMB69 million (December 31, 2021: RMB0.831 million).

- **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, 2022 were as follows:

Use of Proceeds from the Listing (as of December 31, 2022)

Unit: HKD million

No.	Items	Percentage	Available	Utilised during the year ended December 31, 2022	Utilised as at December 31, 2022	Unutilised as at December 31, 2022	Expected timetable of the use of the unutilised 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 utilised 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 intent to utilize the proceeds for purposes different as described in the Prospectus.

- **Capital Expenditures and Capital Commitments**

  The Group had capital expenditures of RMB670 million in 2022, primarily used for (i) the construction of plants and workshops for new factories; and (ii) the equipment upgrades and renovation work for each production workshop of the factories.

  As at December 31, 2022, the Group's capital commitments relating to property, plant and equipment were RMB413 million, which were primarily used for (i) the construction of plants and the acquisition of equipment for new and expanded factories; and (ii) the equipment upgrades in 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. 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 2022, 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, 2022, the Group had a total of 39,518 employees (as at December 31, 2021: 40,745 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, 2022, the total employee benefits expenses (including Directors' remuneration) were RMB2,557 million (for the year ended December 31, 2021: RMB2,538 million), which was primarily attributable to the slight increase in total employee benefit expenses as a result of the combined effect of the implementation of the Group's share award scheme and the reduction in the number of staff employed.

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, 2022, 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, non-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, 2022.

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, 2022.

AUDIT COMMITTEE

The annual results and the consolidated financial statements of the Group for the year ended December 31, 2022 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, 2022 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, 2022, the trustee of the share award scheme of the Company purchased an aggregate of 506,388,500 shares with a total consideration of approximately HK$2,113,980,000 for the purpose of the share award scheme.

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

EVENTS AFTER THE REPORTING PERIOD

On January 16, 2023, the Company resolved to grant a total of 224,330,000 awarded shares to 274 employees and senior management of the Group (the "**Grantee**") pursuant to the Share Award Scheme. The 224,330,000 awarded shares granted to the Grantees represent approximately 1.638% of the issued share capital of the Company as at January 16, 2023.

The awarded shares granted shall vest in accordance with the relevant vesting conditions (including fulfillment of relevant performance targets of the Company and the Grantees). Subject to fulfilment of the vesting conditions, the Grantees may purchase the awarded shares with a price of HKD3.50 per awarded share from the following dates:

Vesting arrangement	Vesting date	Maximum percentage of awarded shares to vest
First tranche vesting	April 1, 2024	50% of the total number of awarded shares granted on January 16, 2023
Second tranche vesting	April 1, 2025	50% of the total number of awarded shares granted on January 16, 2023

Save as disclosed in this announcement, there was no significant event which has occurred to the Group after the year ended December 31, 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, May 18, 2023 and a notice convening the AGM will be published and despatched to the shareholders in due course.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.053 (equivalent to approximately RMB0.0469) per ordinary share for the year ended December 31, 2022 (the "**2022 Final Dividend**") and a special dividend of HK$0.053 (equivalent to approximately RMB0.0469) per ordinary share for the year ended December 31, 2022 (the "**2022 Special Dividend**"), representing a total payment of approximately HK$1,451,576,000 (equivalent to approximately RMB1,284,465,000). The payment of the 2022 Final Dividend and the 2022 Special Dividend are subject to the approval of the shareholders at the AGM.

Upon shareholders' approval to be obtained at the AGM, the 2022 Final Dividend and the 2022 Special Dividend are expected to be paid on or around Friday, July 7, 2023 to the shareholders whose names appear on the register of members of the Company on Wednesday, May 31, 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, May 15, 2023 to Thursday, May 18, 2023, 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 Friday, May 12, 2023.

In addition, in order to determine the entitlement of the shareholders to receive the 2022 Final Dividend and the 2022 Special Dividend, the register of members of the Company will be closed from Thursday, May 25, 2023 to Wednesday, May 31, 2023, 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 2022 Final Dividend and the 2022 Special 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 Wednesday, May 24, 2023.

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, 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders and made available on the above websites in due course.

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

Hong Kong, March 29, 2023

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.