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UNI-PRESIDENT CHINA HOLDINGS LTD.
統一企業中國控股有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 220)

ANNOUNCEMENT OF 2019 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB22,019.7 million, up by 1.1% as compared with the previous year.
- Group gross margin was 36.0%, up by 2.5 percentage points as compared with the previous year.
- EBITDA was RMB3,413.7 million, up by 15.6% as compared with the previous year.
- Profit attributable to equity holders of the Company was RMB1,366.2 million, up by 32.7% as compared with the previous year.

FINAL DIVIDEND

- Final dividend for 2019 of RMB31.63 cents per share has been proposed.

In 2019, Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together as the “Group”, “our Group”, “we”, “our” or “us”) adhered to the corporate vision of “Honesty and Diligence; Innovation and Excellence (誠實勤道·創新求進)” and upheld the principle of “Value Marketing (價值營銷)”. With a focus on operation, we were dedicated to creating brand value, pursuing steady development and striving for progressive advancement by “Healthy Practice (健康操作)”, with an aim to evolve into an enterprise boasting “Integrity (品格)”, “Brand (品牌)” and “Taste (品味)”.

In 2019, subject to the uncertainties of the Sino-US trade negotiations, many industries were hit hard and economic growth was sluggish. Nevertheless, upon a series of stimulus measures rolled out by the government, there was a relatively stable development in general. Under the intense industry competition in 2019, the Group insisted on maintaining stable prices fixed for the sales channels, investing in its brands and facilitating product freshness management to provide consumers with a better product experience. While the quality of classic brands continued to be improved to attract new consumer groups, novel products were developed based on the new lifestyle to facilitate industry upgrade and strengthen the use of new technologies and new packaging. With more mature self-heating technology, self-heating hotpot and meals were launched to enlarge the territory of convenient food, marking a new chapter for the development of food technology.

In 2019, the Group recorded a revenue of RMB22,019.7 million, representing an increase of 1.1% as compared to that of last year, and profits after tax of RMB1,366.2 million, representing an increase of 32.7% as compared to that of last year. In particular, “Uni Assam Milk Tea (統一阿薩姆奶茶)” and lifestyle noodles “Soup Daren (湯達人)”, being well-recognized by consumers, continued to record a double-digit growth and became the drivers of revenue growth and facilitated optimization of the product mix. Sugar-free tea “Chai Li Won (茶裏王)” was launched in response to consumers’ demand for health and light burden. New flavours of the self-heating rice meals “Premium Meal (開小灶)” were introduced to provide more options for consumers. A new future of Chinese cuisine was developed by leveraging on the prevailing technologies. With the concerted and conscientious efforts, the Group strived to improve its business performance and maximize interests of the shareholders of the Company (the “Shareholders”).

FINAL DIVIDEND

Having accounted for, including but not limited to, the Group’s overall performance, surplus, financial condition, capital expenditures in 2019, the board (the “Board”) of directors (the “Directors”) of the Company will propose to declare a final cash dividend of RMB31.63 cents per share (amounting to a total dividend of approximately RMB1,366.2 million) for the year ended 31 December 2019 at the forthcoming annual general meeting of the Company.

PROSPECT

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

Under the influence of the epidemic, the lifestyle under otaku economy has affected the changes in consumption pattern for e-commerce and otaku economy. Opportunities are found in time. The Group will take advantage of this opportunity to implement corresponding measures in order to continuously provide consumers with convenient and satisfactory products in the hope of creating a wonderful life to consumers.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	3	22,019,737	21,772,240
Cost of goods sold	4	<u>(14,101,447)</u>	<u>(14,483,641)</u>
Gross profit		7,918,290	7,288,599
Other gains/(losses) – net		14,142	(9,421)
Other income		360,095	382,406
Other expenses	4	(111,402)	(117,463)
Selling and marketing expenses	4	(5,367,608)	(5,097,691)
Administrative expenses	4	<u>(1,007,196)</u>	<u>(1,114,505)</u>
Operating profit		1,806,321	1,331,925
Finance income		209,472	169,617
Finance costs		<u>(57,466)</u>	<u>(46,142)</u>
Finance income – net	5	152,006	123,475
Share of profits of investments accounted for using the equity method		<u>13,033</u>	<u>84,374</u>
Profit before income tax		1,971,360	1,539,774
Income tax expense	6	<u>(605,148)</u>	<u>(510,070)</u>
Profit for the year and attributable to equity holders of the Company		<u>1,366,212</u>	<u>1,029,704</u>
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	7	<u>31.63 cents</u>	<u>23.84 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Profit for the year		1,366,212	1,029,704
Other comprehensive income/(loss):			
<i>Items that may not be reclassified to profit or loss</i>			
Gain on disposal of financial assets at fair value through other comprehensive income, net of tax		92,058	–
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		(929)	<u>(3,472)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>91,129</u>	<u>(3,472)</u>
Total comprehensive income for the year and attributable to equity holders of the Company		<u><u>1,457,341</u></u>	<u><u>1,026,232</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,902,118	9,906,103
Land use rights		–	1,967,815
Right-of-use assets		1,832,541	–
Investment properties		313,609	335,929
Intangible assets		14,713	15,391
Investments accounted for using the equity method		780,118	747,837
Financial assets at fair value through other comprehensive income		6,027	218,621
Deferred income tax assets		344,188	328,684
Other receivables – non-current portion		15,816	11,912
Long-term time deposits		2,530,000	550,000
		<u>14,739,130</u>	<u>14,082,292</u>
Current assets			
Inventories		1,738,962	1,459,019
Trade and bills receivables	9	569,064	530,062
Prepayments, deposits and other receivables		710,983	1,002,819
Current income tax recoverable		45,403	31,888
Cash and bank balances		3,953,500	4,626,478
		<u>7,017,912</u>	<u>7,650,266</u>
Total assets		<u><u>21,757,042</u></u>	<u><u>21,732,558</u></u>

	<i>Note</i>	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		39,764	39,764
Share premium account		4,829,899	4,829,899
Other reserves		2,767,524	2,506,851
Retained earnings		<u>5,995,743</u>	<u>5,845,793</u>
Total equity		<u>13,632,930</u>	<u>13,222,307</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		228,788	183,094
Lease liabilities – non-current portion		21,865	–
Other payables – non-current portion		<u>232,357</u>	<u>237,655</u>
		<u>483,010</u>	<u>420,749</u>
Current liabilities			
Trade payables	10	1,723,416	1,554,219
Other payables and accruals		2,546,002	2,753,153
Contract liabilities		2,104,004	1,698,986
Borrowings		1,162,867	1,987,726
Lease liabilities		22,376	–
Current income tax liabilities		<u>82,437</u>	<u>95,418</u>
		<u>7,641,102</u>	<u>8,089,502</u>
Total liabilities		<u>8,124,112</u>	<u>8,510,251</u>
Total equity and liabilities		<u>21,757,042</u>	<u>21,732,558</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 General information

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRS”). They have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

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

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards relevant to the Group are mandatorily adopted for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	IBOR Reform and its Effects on Financial Reporting – Phase 1	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.9%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and (HK)IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) *Measurement of lease liabilities*

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	66,550
Less:	
Short-term leases recognised on a straight-line basis as expense	<u>(8,952)</u>
	57,598
Discounted using the lessee's incremental borrowing rate of at the date of initial application, lease liability recognised as at 1 January 2019	<u><u>53,478</u></u>
Represented by:	
Current lease liabilities	22,011
Non-current lease liabilities	<u>31,467</u>
	<u><u>53,478</u></u>

(iii) *Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	2019 RMB'000
Lease liability recognised as at 1 January 2019	53,478
<i>Add:</i>	
Rental prepayments recognised as at 31 December 2018	3,929
Reclassification of land use rights	<u>1,967,815</u>
Right-of-use assets recognised as at 1 January 2019	<u><u>2,025,222</u></u>

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB2,025,222,000
- prepayments – decrease by RMB3,929,000
- land use rights – decrease by RMB1,967,815,000
- lease liabilities (current portion) – increase by RMB22,011,000
- lease liabilities (non-current portion) – increase by RMB31,467,000

There was no impact on retained earnings on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3 Revenue and segment information

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

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

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

(a) *Segment information*

The segment information for the year ended 31 December 2019 and 2018 is as follows:

		2019			
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	<u>12,730,490</u>	<u>8,500,711</u>	<u>788,536</u>	<u>–</u>	<u>22,019,737</u>
Timing of revenue recognition					
At a point in time	12,730,490	8,500,711	615,394	–	21,846,595
Over time	<u>–</u>	<u>–</u>	<u>173,142</u>	<u>–</u>	<u>173,142</u>
	<u>12,730,490</u>	<u>8,500,711</u>	<u>788,536</u>	<u>–</u>	<u>22,019,737</u>
Segment profit/(loss)	1,614,295	490,015	48,964	(346,953)	1,806,321
Finance income – net	–	–	–	152,006	152,006
Share of profit of investments accounted for using the equity method	44,441	–	–	(31,408)	13,033
Profit before income tax					1,971,360
Income tax expense					<u>(605,148)</u>
Profit for the year					<u>1,366,212</u>
Depreciation and amortisation	<u>940,322</u>	<u>274,030</u>	<u>61,753</u>	<u>108,852</u>	<u>1,384,957</u>
Assets	8,354,300	3,421,359	934,238	8,267,027	20,976,924
Investments accounted for using the equity method	575,533	–	–	204,585	780,118
Total assets	8,929,833	3,421,359	934,238	8,471,612	<u>21,757,042</u>
Liabilities	3,612,398	2,857,772	259,295	1,394,647	8,124,112
Total liabilities					<u>8,124,112</u>
Addition to non-current assets	<u>43,999</u>	<u>245,461</u>	<u>5,845</u>	<u>113,677</u>	<u>408,982</u>

	2018				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	<u>12,619,416</u>	<u>8,425,149</u>	<u>727,675</u>	<u>–</u>	<u>21,772,240</u>
Timing of revenue recognition					
At a point in time	12,619,416	8,425,149	556,720	–	21,601,285
Over time	<u>–</u>	<u>–</u>	<u>170,955</u>	<u>–</u>	<u>170,955</u>
	<u>12,619,416</u>	<u>8,425,149</u>	<u>727,675</u>	<u>–</u>	<u>21,772,240</u>
Segment profit/(loss)	1,285,022	460,927	26,075	(440,099)	1,331,925
Finance income – net	–	–	–	123,475	123,475
Share of profit/(loss) of investments accounted for using the equity method	32,133	–	–	52,241	<u>84,374</u>
Profit before income tax					1,539,774
Income tax expense					<u>(510,070)</u>
Profit for the year					<u>1,029,704</u>
Other segment items included in the income statement					
Depreciation and amortisation	<u>960,298</u>	<u>221,898</u>	<u>70,638</u>	<u>115,352</u>	<u>1,368,186</u>
Segment assets and liabilities					
Assets	10,447,079	3,157,950	709,294	6,670,398	20,984,721
Investments accounted for using the equity method	551,143	–	–	196,694	<u>747,837</u>
Total assets	10,998,222	3,157,950	709,294	6,867,092	<u>21,732,558</u>
Liabilities	3,498,190	2,448,781	360,300	2,202,980	<u>8,510,251</u>
Total liabilities					<u>8,510,251</u>
Addition to non-current assets	<u>627,330</u>	<u>277,112</u>	<u>41,387</u>	<u>39,936</u>	<u>985,765</u>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, cash and bank balances, investment properties and related right-of-use assets.

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

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

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– PRC	11,822,042	12,942,400
– Overseas countries	21,057	30,675
Financial instruments	2,551,843	780,533
Deferred income tax assets	344,188	328,684
	14,739,130	14,082,292

(b) Liabilities related to contracts with customers

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Contract liabilities – Beverages	1,162,607	1,020,291
Contract liabilities – Instant noodles	880,946	605,065
Contract liabilities – Others	60,451	73,630
Total contract liabilities	2,104,004	1,698,986

(i) Significant changes in contract liabilities

The increase in contract liabilities in 2019 was due to the change in the time frame for the performance obligations to be satisfied.

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

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i>		
Beverages	1,020,291	801,423
Instant noodles	605,065	434,412
Others	73,630	133,374
	<u>1,698,986</u>	<u>1,369,209</u>

(iii) *Unsatisfied performance obligations*

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

(c) *Restatements for changes in accounting policy*

The adoption of the new leasing standard described in note 2.2 had the following impact on the segment disclosures in the current year.

	(Decrease)/increase		
	Segment profits <i>RMB'000</i>	Segment assets <i>RMB'000</i>	Segment liabilities <i>RMB'000</i>
Beverages	(379)	26,260	22,579
Instant noodles	(398)	23,935	20,984
Others	(10)	678	678
	<u>(787)</u>	<u>50,873</u>	<u>44,241</u>

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

4 Expenses by nature

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

	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
Raw materials, packaging materials, consumables and purchased commodity used	12,312,220	12,652,310
Changes in inventories of finished goods	(339,321)	(173,273)
Manufacturing outsourcing expenses	54,617	46,629
Promotion and advertising expenses	1,680,128	1,629,000
Employee benefit expenses, including directors' emoluments	3,416,132	3,217,445
Transportation expenses	851,598	855,931
Depreciation of property, plant and equipment	1,271,799	1,285,837
Amortisation of right-of-use assets/land use rights	85,300	54,014
Depreciation of investment properties	19,747	19,941
Amortisation of intangible assets	8,111	8,394
Operating lease expenses in respect of buildings	81,667	128,206
City construction tax, property tax and other tax surcharges	247,104	266,856
Provision for impairment of property plant and equipment	–	27,787
Provision for impairment of land use rights	–	19,329
Provision of inventories to net realisable value	3,939	9,260
Provision/(reversal) for impairment of trade receivables	2,020	(1,702)
Auditors' remunerations		
– Audit services	8,809	7,020
Others	883,783	760,316
Total	<u>20,587,653</u>	<u>20,813,300</u>

5 Finance income – net

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Finance income		
– Interest income on cash and banks	209,472	169,273
– Net foreign exchange gains	–	344
	<u>209,472</u>	<u>169,617</u>
Finance cost		
– Interest expenses on borrowings	(64,033)	(57,839)
– Interest expenses on lease liabilities	(2,115)	–
– Net foreign exchange losses	(132)	–
– <i>Less</i> : amounts capitalized on qualifying assets	8,814	11,697
	<u>(57,466)</u>	<u>(46,142)</u>
Finance income – net	<u><u>152,006</u></u>	<u><u>123,475</u></u>

6 Income tax expense

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current income tax		
– Current income tax on profit for the year	523,130	480,363
Deferred income tax	23,518	(32,793)
Withholding tax on dividends from a PRC subsidiary	58,500	62,500
	<u><u>605,148</u></u>	<u><u>510,070</u></u>

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

Subsidiaries established in Mainland China are subject to CIT at rate of 25% (2018: 25%) during the year.

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

(b) Other income tax

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

Subsidiaries incorporated in Taiwan and Hong Kong are subject to income tax at the prevailing rates of 17% and 16.5% (2018: 17% and 16.5%), respectively.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2018: 25%) applicable to profits of the consolidated entities as follows:

	2019	2018
	RMB'000	RMB'000
Profit before income tax	<u>1,971,360</u>	<u>1,539,774</u>
Tax calculated at the statutory tax rate in the PRC	492,840	384,944
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	(14,887)	887
Tax losses and temporary differences for which no deferred income tax asset was recognized	10,149	62,137
Income not subject to tax	(3,258)	(21,094)
Expenses not deductible for tax purpose	28,985	20,696
Additional deduction of research and development expenses	(7,181)	–
Withholding tax on dividends from PRC subsidiaries	98,500	62,500
Income tax expense	<u>605,148</u>	<u>510,070</u>

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

	2019			2018		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other comprehensive income:						
– Net fair value losses from FVOCI	(929)	–	(929)	(3,472)	–	(3,472)
– Gains on disposal of financial assets at fair value through other comprehensive income	<u>122,295</u>	<u>(30,237)</u>	<u>92,058</u>	–	–	–
Income tax expense		<u>(30,237)</u>			<u>–</u>	

7 Earnings per share

Basic

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

	2019	2018
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	1,366,212	1,029,704
Weighted average number of ordinary shares in issue (<i>thousands</i>)	4,319,334	4,319,334
Basic earnings per share (<i>RMB per share</i>)	<u>31.63 cents</u>	<u>23.84 cents</u>

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

8 Dividends

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB31.63 cents (2018: RMB23.84 cents) per ordinary share	<u>1,366,212</u>	<u>1,029,704</u>

The dividends paid by the Company in 2019 and 2018 for the years ended 31 December 2018 and 2017 amounted to RMB1,046,718,000 and RMB619,402,000 respectively.

A dividend in respect of the year ended 31 December 2019 of RMB31.63 cents per share, amounting to a total dividend of RMB1,366,212,000, was proposed by the directors on the board of directors meeting on 25 March 2020 and is to be proposed for approval at the annual general meeting to be held on 22 May 2020. These financial statements do not reflect this dividend payable.

9 Trade and bills receivables

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– from third parties	570,075	537,528
– from related parties	<u>10,505</u>	<u>6,183</u>
	580,580	543,711
<i>Less: provision for impairment</i>	<u>(13,304)</u>	<u>(13,649)</u>
Trade receivables, net	567,276	530,062
Bills receivables		
– from third parties	<u>1,788</u>	–
Trade and bills receivables	<u>569,064</u>	<u>530,062</u>

The credit terms granted to customers by the Group are usually 60 to 90 days (2018: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	541,169	504,102
– 91 to 180 days	36,124	35,402
– 181 to 365 days	2,189	2,337
– Over one year	1,098	1,870
	<u>580,580</u>	<u>543,711</u>
	<u>580,580</u>	<u>543,711</u>

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross		
– RMB	575,972	538,916
– USD	1,213	1,564
– HKD	3,395	3,231
	<u>580,580</u>	<u>543,711</u>
	<u>580,580</u>	<u>543,711</u>

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

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

10 Trade payables

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables		
– to third parties	1,303,927	1,193,954
– to related parties	419,489	360,265
	<u>1,723,416</u>	<u>1,554,219</u>

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables		
– Within 30 days	1,427,797	1,242,747
– 31-90 days	233,981	238,338
– 91-180 days	10,699	20,138
– 181 to 365 days	13,864	21,640
– Over 1 year	37,075	31,356
	<u>1,723,416</u>	<u>1,554,219</u>

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

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC ENVIRONMENT

The gross domestic product (GDP) of the People's Republic of China ("China" or the "PRC") recorded a year-on-year increase of 6.1% in 2019, down 0.5 percentage points from last year. The China-U. S. trade friction as accompanied by deadlocked negotiations, continuous disputes, tariff barriers and other situations has affected the overall economic development. The PRC government has responded quickly to roll out a series of economic stimulus measures to reduce burden of enterprises and encourage consumption such as reduction of taxes and administrative fees. As a result, the domestic economy remained generally stable in 2019 amidst continuous adjustment, transformation and upgrade of industrial structure, with active demands in the domestic market and thriving development of the food industry.

In 2019, under a wide range of favourable catalysts including lower pressure on costs given the reduced prices of raw materials for the food industry as well as economic stimulus from the government, companies acted promptly to seize market share by increasing market investment, which resulted in more intense competition in the industry and fluctuated market prices in channels. A wide variety of distinctive marketing tactics were adopted to attract channels and consumers. Given the improving living standards and booming development of new technologies and new services, consumption has been led by diverse and innovative products. In this ever-changing world, new business opportunities can only be captured by focusing on consumer needs and satisfaction.

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures continued to be implemented in the PRC. The Group will pay close attention to the development of the outbreak and evaluate its long-term impact on the financial position and operating results of the Group. As of the date of this announcement, the Group was not aware of any significant effect on its business as a result of the outbreak of COVID-19.

BUSINESS REVIEW

In 2019, our Group remained steadfast in its own strategies of brand building and value marketing. Under the principle of "Healthy Practice (健康操作)" adopted as always, control over the freshness of our products was strengthened while market price remained stable. With a focus on development of brand assets, we strived to improve our product mix to achieve better operating results progressively with our cautious and prudent attitude.

The Group recorded a revenue of RMB22,019.7 million in 2019, representing an increase of 1.1% as compared with that of the corresponding period last year. Information about the Group's core businesses is as follows:

Food Business

The Group was aware that consumers had different requirements on food quality and convenience given their changing lifestyle and rapid improvement in material conditions. With an aim to satisfy the needs of consumers, on top of upgrading its instant noodles, the Group also applied the emerging self-heating technology to develop a series of self-heating food and frozen fresh noodles for simple family cooking, which enabled a more diversified and convenient dining experience with more tasty food.

Instant Noodles Business

In 2019, there was an intense competition in the instant noodles market. Adhering to the principle of value marketing, the Group continued to focus on brand building to develop popular products appealing to consumers as driven by its innovative spirits, and promote industrial upgrading to optimize its product mix in lockstep with the times. Revenue generated from the Groups' instant noodles business in 2019 was RMB8,500.7 million, representing an increase of 0.9% over the same period of last year. Such business growth was attributable to "Soup Daren (湯達人)", a mid and high end brand that continued to be well-received by the market and recorded a double-digit growth over the same period of last year.

In 2019, "Authentic Sourness and Crunchiness, Our Originality (正宗酸爽, 我站原創)" was adopted by the Group as the main theme of "Uni-President Lao Tan Pickled Cabbage and Beef Noodles (統一老壇酸菜牛肉麵)", whose leading position continued to be enhanced as the Group crossed over with famous animated characters in China such as those of "Mo Dao Zu Shi (魔道祖師)" under Tencent Animation in an effort to connect with the young generation. Through creative videos, animation exhibitions and integrated marketing communications such as co-branded packaging and e-commerce limited-edition gift boxes, we attracted the attention of and resonated with new consumers. In particular, the creative content launched jointly by "Uni-President Lao Tan (統一老壇)" and "Chen Qing Ling (陳情令)" has become a hot topic among the public and the brand "Authentic Sourness and Crunchiness (正宗酸爽)" has widely spread to the aficionados of the original novels, animations and movies successfully. Multi-level marketing was achieved and our brand vitality and loyalty were further enhanced through youthful communications.

The "Vine Pepper Beef Noodles (藤椒牛肉麵)" under the brand "Teng Jiao (藤嬌)" brought electrifying sensation to the taste bud of customers with its unique and fresh aroma and long-lasting pure numbing taste. As for brand building, in order to develop a unique image of "refreshing appearance and enthusiastic heart (外表清新, 內心火辣)", the new packaging of "Teng Jiao Wu Yu (藤嬌物語)" conveyed the concept of "electrifying (觸電)" to consumers with its "50Hz Electrified Love (50Hz 的觸電心動)" message to deepen the brand's association with "electrifying (觸電)". The refreshing packaging together with differentiated shelf display worked well to increase its appeal. The Group targeted young consumers through in-depth cooperation with youth romance dramas and variety shows in the second half of 2019 with the assistance of a strong combination of media coverage.

“Mix-up in Town with you (香拌一城)” focused on the development of the most representative foods in various regions with the slogan of “Mixed like this, taste so good! (這麼拌, 真香!)”, enabling consumers who are local delicacy lovers to enjoy the healthy taste of mixed noodles. The innovative cold noodles developed and launched in April 2019 uses heat treated dough and is served with unique and rich sauce. The “Sour and Spicy Cold Noodles (酸辣涼皮)” and “Sesame Sauce Cold Noodles (麻醬涼皮)” conquered consumers with their distinctive aroma. We cooperated with “Cat’s Kitchen (日食記)”, a food specialized media channel, to enhance the popularity of our cold noodles by producing and broadcasting a short video online on our cold noodles and through live broadcast by Internet Key Opinion Leaders (“KOL”). In September 2019, the Group’s “Sesame Sauce Cold Noodles (麻醬涼皮)” under “Mix-up in Town with you (香拌一城)” received the “2019 Most Innovative Award in the Instant Food Industry (2019方便食品行業最佳創新產品大獎)” at the “19th China Convenience Food Conference-cum-Convenience Food Expo (第十九屆中國方便食品大會暨方便食品展)” organised by “the Chinese Institute of Food Science and Technology (中國食品科學技術學會)”. More featured products will be developed under “Mix-up in Town with you (香拌一城)” by keeping in line with higher consumer demand on specialty food to promote the food culture of “mixed”.

In order to bring street delicacy of urban local flavour to the consumers, the “Urban Bistro (都會小館)” “sour and spicy pig intestine noodles (酸辣肥腸麵)” offer an unforgettable taste with a special combination of bean vermicelli and noodles served in a sour and strong soup with pig intestine. The product has received positive online feedbacks since its launch and achieved great results in e-commerce sales due to its extensive widespread.

“Uni-President The King of Tomato (統一茄皇)” focused on the development and innovation of tomato flavoured products. The fresh taste of “Uni-President The King of Tomato (統一茄皇)” Tomato Egg Noodles (番茄雞蛋麵)” comes from the scrumptious egg drop soup well integrated with the sour and nutritious Xinjiang tomatoes, which were exposed under 16 hours of sunshine every day, by using the unique seasoning method of “Uni-President The King of Tomato (統一茄皇)”. The product adopted a theme of “taste of sunshine (陽光的味道)” and a cute brand image of “Uni-President The King of Tomato (統一茄皇)” for its packaging. Since its launch in March 2019, it has gained a good reputation among the young generation. In 2020, “Uni-President The King of Tomato (統一茄皇)” will adopt the slogan of “A bite of The King of Tomato, a bite of sunshine (一口茄皇, 一口陽光)” to promote the active brand image across the country to enhance its brand differentiation and visibility.

“Soup Daren (湯達人)” continued to achieve double-digit growth in revenue in 2019. The cooperation with Liu Haoran (劉昊然), one of the new generation actors who is also featured by “focus, sunshine and vitality (專注、陽光、有元氣)”, strengthened the emotional connection between the brand and the new youth generation and therefore their recognition who would then become loyal customers of “Soup Daren (湯達人)”. A brand core spirit with “Genki (元氣)” was created. The “Genki Music Festival (元氣音樂節)” of “Soup Daren (湯達人)” provided an immersive experience by utilizing multiple scenarios and an interactive style to strengthen the brand image of “sunshine and vitality (陽光、有元氣)” and enhance interaction with new generation users.

In the second half of 2019, “Gourmet’s Selection (極味館)”, the upgraded series of “Soup Daren (湯達人)”, was officially launched with a price fixed at RMB10 to satisfy the high-end needs of its target consumers. To extend the brand core value of “Soup Makes Good Noodles (好麵湯決定)”, “Soup Daren (湯達人)” “Gourmet’s Selection (極味館)” rolled out two new flavours of “Kumamoto Tonkotsu Ramen (熊本風味豚骨拉麵)” and “Hokkaido Seafood and Tonkotsu Ramen (北海道風味海鮮豚骨拉麵)” respectively. Both flavours feature “mellow upgraded” broth and a comprehensive improvement in soup, noodles, ingredients and container. Rectangular container box is used for the first time and designed with a round rim to allow consumers to have a wonderful experience in enjoying the products.

“Imperial Big Meal (滿漢大餐)”, a high-end brand of noodles of the Group, regards inheriting Chinese cuisine as its mission. The condiment bags sealed with fresh meat and original flavourings truly contain “large piece of genuine beef (真的有大塊肉)” as contained in “Imperial Big Meal (滿漢大餐)” provide comfort to the industrious and uncompromising people. “Imperial Big Meal (滿漢大餐)” always connects people with positive attitude and great emphasis on quality lifestyle, with the marketing slogan of “Hitting the market with beef (用肉打江山)”. Our current offerings of non-spicy “Taiwan Braised Beef and Beef Tendon Noodles (台式半筋半肉牛肉麵)”, sour and spicy “Royal Lao Tan Pickled Mustard Beef Noodles (禦品老壇酸菜牛肉麵)” and numbing spicy “Sichuan-style Spicy Beef Noodles (川式銷魂麻辣牛肉麵)” provide a comprehensive range of tastes for selection.

Other Food

Since the development of self-heating food, it has enabled consumers to enjoy hot food anytime and anywhere as they wish. The self-heating food of “Premium Meal (開小灶)” of the Group has received many positive feedback since its launch due to the utilization of Northeast China rice, instant cooking technology of the self-heating series and exquisite cooking techniques, which together contribute to the yummy taste of Chinese cuisine “sizzling wok airflow (鍋氣)”. In 2019, “on the go (出門在外)” was adopted as the main brand theme of “Premium Meal (開小灶)” to accurately target the customer groups through context marketing in channels such as major holidays, bus stops, scenic areas and exhibitions as well as vertical cooperation with outdoor activities, self-driving and travelling platforms. In the second half of 2019, on top of the three classic flavours of “stewed beef brisket with potato (土豆燉牛腩)”, “Kung Pao Chicken (宮保雞丁)” and “simmered pork with small mushroom (小香菇燒肉)”, the Group further developed three new flavours, namely the fresh and tasty “Meatballs with Bamboo Shoots (三鮮燴四喜)” which is suitable for people preferring a mild flavour, “Sliced Beef in Hot Chili Oil (水煮牛肉)” with regional features suitable for people enjoying a piquant taste, and the classic Cantonese dish of “Cantonese Pot Rice with Sausage (廣式臘味煲仔飯)”. All these six flavours contain the core Chinese cuisine ingredients of “pork”, “chicken meat” and “beef” and cover all levels of spiciness ranging from very spicy to non-spicy, which together with the integration with regional features, family and classic dishes, providing more extensive offerings to consumers for selection. In the end of 2019, through engagement of Xiao Zhan (肖戰), an artist, as the brand spokesperson, the brand awareness was quickly increased. The Group directed the attention of consumers back to the original intention of “Premium Meal (開小灶)” by leveraging the influence of Xiao Zhan (肖戰) who also shared the same attributes of “warmth and care (溫暖、關懷)”, and spread the message of “Premium Meal, Special Treat (好好吃飯, 開小灶)” to expand the dining occasions and further enhance the brand effect.

“Q-Fresh (Q小鮮)” continued to target at the market of frozen fresh noodles to align with the middle-class families’ pursuit of a lifestyle characterized by freshness and health. The product contained a tasty and mellow broth bags to allow consumers to easily cook a bowl of delicious noodles at home, bringing a more convenient new choice for the home setting.

In 2020, while both the internal and external uncertainties faced by the PRC economy are expected to increase, the food industry might also experience greater changes. More diversified businesses will emerge as healthy consumption and family consumption have gained popularity among consumers and the e-commerce channel has become an important catalyst for growth. With a focus on brand value, the Group will continue to optimize its product mix and introduce differentiated and innovative products to satisfy consumers’ need as food is the paramount necessity of people. Also, the Group will develop different products that are suitable to be served in various daily occasions for enjoyment by consumers, thus creating a new landscape for the food business.

Beverages Business

Freshness management remained the emphasis of the Group’s beverages business. In 2019, amidst the chaotic movement in market prices, the Group still upheld value marketing to stabilize channel price and was dedicated to value building in order to build up brand assets. The annual revenue of our beverages business amounted to RMB12,730.5 million, representing a year-on-year growth of 0.9% in 2019. The business performance of our major beverages is as follows:

Tea Drinks

Revenue of tea drinks in 2019 amounted to RMB5,616.3 million. The classic brands of “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)” registered stable performance while “Classmate Xiaoming (小茗同學)” performed relatively weak in terms of sales. Readjustment of the brand positioning has been underway. Due to health awareness and consumption upgrade, “Chai Li Won (茶裏王)” was launched to satisfy demand of the high-end market together with the refrigerated tea product of “Refreshing Tea (茶•瞬鮮)”.

“Uni Ice Tea (統一冰紅茶)” insisted in the brand spirit of “Stay Young for Ever or Fight for it (青春無極限, 不服就去戰)”. By leveraging on eSports, the popular game among young consumers, as a media, the Group cooperated with KPL (King Pro League) to promote the brand proposition of “youth, passion and unlimitedness (青春、熱血、無極限)”. During the spring competition, we incorporated the images of game characters into the packaging and launched the “My Hero Bottles (本命英雄瓶)”, and carried out the annual marketing project of “King Battle-An Honorable Fight (王者battle榮耀出擊)” to attract the attention of consumers with game tools and stylish gifts. We collaborated with the game Honor of Kings to hold an important social event of “Five-Five Team-up Festival (五五開黑節)” for players. The project of “Uni Ice Tea fly with you (統一冰紅茶包機帶你飛)” was held on 5 May to enable in-depth communications between the e-commerce platform and fans. We conducted promotion by presenting the 2019 KPL spring finals and organized a feast for eSports fans. In the second half of 2019, the Group introduced the “Non-yielding Bottle (不服文字瓶)” on which the game languages were printed on the bottles to convey the brand attitude of “young, passionate and non-yielding (青春熱血不服輸)”. During the 2019 KPL autumn competition, various sessions of “Trendy Parties (潮創潮趴)” were organized across the country and more enthusiasts were attracted through live streaming on online platforms, horizontal cooperation and trendy and creative competitions. With a deep focus on eSports culture, “Uni Ice Tea (統一冰紅茶)” strived to narrow the distance with eSports enthusiasts and attract new consumers through product marketing, game exposure, cooperation in competitions and other marketing activities in order to improve brand favorability and build up brand assets.

“Uni Green Tea (統一綠茶)” is made of freshly picked tea leaves, the essence of which is full of tea polyphenols and gives a natural good taste. “Experience the Nature, Implementation of Green Actions (親近自然, 玩轉綠色行動)” continued to be adopted as the annual theme in 2019, under which in-depth promotion was conducted by selecting the media platforms teenagers liked. The Group carried out content marketing through producing a series of videos and long comic stories featuring “Liu Kanshan (劉看山)”, the mascot of Zhihu website, and launched the “Uni Green Tea Zhihu Bottle (統一綠茶知乎瓶)” on which the accumulated content on Zhihu website was applied. We also invited “Liu Kanshan (劉看山)” to participate in the marketing activities in order to realize an integration of online and offline marketing and increase the brand awareness of “Uni Green Tea (統一綠茶)”. In May 2019, the Group conducted a cross-industry cooperation with Xiaomi’s green travel ecological chain. The application of Xiaomi’s mi band was utilized to count steps and check in for green activities, therefore consumers were encouraged to travel in a green and healthy way and further emphasizing the concept of green and healthy. City orienteering competitions were held in key cities, in which we communicated with new generation consumers in a fun way through horizontal cooperation and live streaming on online platforms. In July 2019, the Group organized the “Challenge of Green Actions by Tens of Millions of People (千萬人綠色行動大挑戰)” to initiate a green travel challenge on Weibo with young idols as our brand ambassadors. More consumers were called on to embark on a green travel by bringing with them “Uni Green Tea (統一綠茶)” and shooting creative videos, promoting our proposition of green and healthy “Uni Green Tea (統一綠茶)”.

In 2019, “Classmate Xiaoming (小茗同學)” cooperated with the British Museum to create the “Egyptian Theme (埃及主題)” and “Greek Theme (希臘主題)” bottles for developing our personalised brand value. Meanwhile, the bottle packaging was matched with the “Play Ancient Civilisation, Scan QR Code for Gift (玩轉古文明碼上有金喜)” to communicate with young consumers.

Based on the healthy consumption concept of “minus (減法)” and the product strength of “No Additives (不添加)”, “Chai Li Won (茶裏王)” utilized the extraction process under high and low temperature to maximize the preservation of tea essence. Taiwan Dong Ding Oolong Tea with a rich aroma and long-lasting tea taste is chosen to produce the “Chai Li Won Sugar-Free Taiwanese Oolong Tea (茶裏王無糖台式烏龍茶)”, while early spring green tea is used to produce the “Chai Li Won Sugar-Free Japanese Green Tea (茶裏王無糖日式綠茶)”, the fragrance of which is enhanced and locked by using the Japanese sencha technique. The products bring a wonderful taste and a pleasant feel to consumers with their simple and high quality packaging. For marketing, the Group created the word-of-mouth effect through recommendation and assessment by Internet KOLs to spread the product appeal of “no additives and a sweet taste came after (不添加·自然回甘)”. Fang Wenshan, a well-known lyric writer for Chinese songs, wrote a poem for “Chai Li Won (茶裏王)” that “A sweet taste came after in the throat, like lingering a few days in the top of the room, Inhabit at the freezing Mountaintop as its own Kingdom, Truly the King of the tea (喉間回甘 一如幾日繞樑 盤踞凍頂為江山 茶中稱王)”, which attracted high-end consumers through a sentimental way. Since the launch of the two new flavours of “Chai Li Won (茶裏王)” in April 2019, they have been highly acclaimed and recognized by consumers after progressive promotion in key cities.

The refrigerated tea product of “Refreshing Tea (茶·瞬鮮)” adopts the freeze-extraction technique. The fresh and natural taste of tea leaves is fully preserved as tea leaf harvesting and tea production are completed within 24 hours and the tea is then stored at -18°C . In 2019, the Group conveyed the brand concept of “fresh” through the “Attitude Cups”(新鮮態度杯)” and emphasized on the brand feature of “21 days” freshness. At the same time, based on the consumers’ attention to the daily fortune topics, we cooperated with Wangyi News to launch the “Fortune Cups (新鮮運勢杯)” in order to deeply communicate with consumers. In addition, in order to bring consumers a taste of “21 days” of freshness, we invited internet food experts to take part in the product evaluation activity of “freshness assessment”(新鮮測評打卡) in order to create the word-of-mouth effect and further enhance brand exposure and awareness.

In 2020, with the changes in consumption concepts, consumption habits and awareness, the Group will keep up with the times and explore new opportunities under new models for its tea drinks business. Online consumption on the internet and household consumption will be strengthened and sales channels and product mix will be reasonably adjusted to enhance the development of our e-commerce channel and satisfy consumption needs in various scenarios. At the same time, we will consider the changes in consumer sentiment caused by current public opinions to adjust our brand promotion and improve or brand image.

The “Uni Ice Tea (統一冰紅茶)” will continue to nurture new generations. We have enhanced our cooperation with the game industry by strengthening the cooperation with King Pro League to specifically target games, expand our operations in otaku economy and create more drinking occasions. Capitalizing on the consumption awareness, “Uni Green Tea (統一綠茶)” will strengthen its feature of green health. The brand adopts “Experience the Nature, Implementation of Green Actions (親近自然，玩轉綠色行動)” as its annual theme to reach new consumers in a youthful way. “Classmate Xiaoming (小茗同學)” will re-position itself in 2020 with package upgrade and brand image renewal. Brand spokesperson has been engaged as part of the promotion plan to achieve the goal of rapid expansion of the consumption age groups, and therefore achieving success in both reputation and sale volume. “Chai Li Won (茶裏王)” will continue to express the brand appeal of “no additives and a sweet taste came after (不添加，自然回甘)” and targets commuters; while “Refreshing Tea (茶·瞬鮮)” will continue to focus on key cities and its development in the chilled market.

Juice

In 2019, for the juice business, the Group continued to adhere to the business strategy of value marketing, focus on brand building and enhance product strength, enter consumers’ life with products of different temperatures and drinking occasions. The Group adopted the communication and interaction methods favoured by the new generation consumers to attract and accumulate a pool of new generation consumers. The juice business of the Group recorded a revenue of RMB1,746.6 million in 2019, representing an increase of 1.3% as compared with that of the corresponding period last year.

Wang Yuan (王源), a popular idol favoured by teenagers, was engaged as the brand spokesperson of “Uni Orangeate (統一鮮橙多)” in 2019, whose energetic and positive image helped to convey the product’s merits of rich vitamin C and containing equivalent to 3.5 oranges in terms of dietary fiber. Through buzz marketing, the Group effectively associated the image of Wang Yuan (王源) with “Uni Orangeate (統一鮮橙多)” brand, contributing to the new height of “Uni Orangeate (統一鮮橙多)”. We promoted the brand value of “Uni Orangeate (統一鮮橙多)”, which was “More Vitamin C, More Fiber, More Beauty (多C多纖多漂亮)”, through organising the “Uni Orangeate Pretty Life Fan Festival – Wang Yuan Fan Meeting (統一鮮橙多活得漂亮粉絲節 – 王源粉絲見面會)” and being the title sponsor of 2019 Wang Yuan Concert with “Uni More Orangeate (統一鮮橙多)”. Many new generation consumers took part in the above activities, which realized a connection between “Uni Orangeate (統一鮮橙多)” and the young consumers and thus an expansion in sales.

In 2019, as the connection between “Haizhiyan (海之言)” and “the sea” was consistently enhanced, the jogging competition themed by “Take a Refreshing Walk to the Sea (清爽走去大海)” was held in a greater scale. The Group developed the sports scenario to foster the awareness of salt supplement after sweating and spread the refreshing brand image.

The core appeal of “Uni Crystal Sugar Pear Drink (統一冰糖雪梨)” is “Pear Juice Moistures your Mouth and Heart (真梨真汁潤)”. In 2019, the Group continued to create and strengthen the public awareness of “Moist (潤)”. Based on the music attribute of the brand, the “Moisten the Voice, Sing for the Young (潤享發聲, 唱漾青春)” themed event was held in campuses to connect the young people in high schools with music, shape the brand’s new vitality and develop a deep rapport with those new generation consumers. We leveraged a 245ml small can to expand the product into scenario of hot drinks for winter. A themed event of “Moisten the Heart with Warmth and Cuteness (我的暖萌, 潤你心田)” was conducted through cooperation with LINE FRIENDS, an internationally renowned cartoon brand to fortify the product concept of “Moist (潤)” and brand communication. The lovely characters of LINE FRIENDS, which perfectly matched with the brand personality, sent warmth to people and were favoured by young consumers.

“Uni Tomato Juice (統一番茄汁)” is made of high quality tomatoes planted in the Xinjiang base with exposure to extreme day-to-night temperature fluctuations and 16 hours of sunshine. With a brand proposition of “Double Vitality & Health (活力&健康翻倍)”, the Group promoted the efficacies of lycopene, which are anti-oxidant, anti-aging and reducing prostate lesion, to consumer groups targeted through e-commerce and TV shopping platforms in order to cultivate target consumers’ knowledge and their habit of drinking lycopene.

A new concept of vitamin element was introduced to the fruit soda “Fighting (打氣)” in 2019, being one can of “Fighting (打氣)” is able to satisfy the daily need of vitamin C. Convenience store chains, schools and catering were the channels that we focused on to cultivate consumers’ dining culture and we co-operated with “Zhou Hei Ya (周黑鴨)”, a famous snacks brand, to strength its association with gourmet.

The chilled fruit drink “Fruit Trio (果重奏)” features a combination of juice, pulp and fibre jelly (果汁、果肉、纖玉凍). The fresh fruit juice, soft pulp and chewy fibre jelly are mixed together to bring a triple taste to consumers. The music attributes and sensibilities of the brand continued to be strengthened in 2019 through further cooperation with the headphone brand FIIL (斐耳) designed by a famous musician, Wang Feng (汪峰). Taking advantage of the 2019 Wang Feng National Tour Concerts, the Group launched the co-branded limited edition headphones to strengthen the music attributes and sensibilities of the brand.

The 100% chilled fruit and vegetable juice, “Vitality Awakening (元氣覺醒)”, with the appeal of “delicious”, “healthy” and “fresh”, aims to offer an integrated and delicious solution for the convenience of contemporary urban people to supplement nutrition of fruits and vegetables. In 2019, the Group extended the brand into the room-temperature segment to expand the brand coverage by launching the room-temperature 100% orange juice that targets the healthy consumer group which favoured 100%, deliciousness and nutrition intake. “Vitality Awakening (元氣覺醒)” satisfies consumers’ need for healthy products that are served in different temperatures and tastes by offering the product in both chilled and room-temperature. The themed event “Awakening the Vitality (覺醒你的元氣)” was organized in 2019 together with healthy light sports platforms to continuously communicate with consumers with the starting point of healthy needs.

In response to the widespread of COVID-19 in 2020, in respect of the juice business, the Group has promoted the merits of healthy juice products to consumers, concentrated resources and continuously interacted with consumers online with regard to the topics including protection, work and life during the epidemic. “Uni Orangeate (統一鮮橙多)” reminded consumers to supplement vitamin C while “Haizhiyan (海之言)” promoted workouts at home to enhance immunity. At the same time, more resources have been put into online platforms to leverage e-commerce, community group buying and other channels to provide consumers with a combination of healthy and diversified juice products.

General Beverages Business

Milk Tea

In 2019, the revenue of milk tea business of the Group increased by 13.1% as compared with that of the corresponding period last year, which marked a double-digit growth for three consecutive years. The freshness management over “Uni Assam Milk Tea (統一阿薩姆奶茶)” was continuously improved to offer a much better product experience to consumers. Continuous innovation and upgrade were conducted to provide a wide range of drinking options for different age groups and scenarios in order to enhance consumer satisfaction.

As a leader in the milk tea category, “Uni Assam Milk Tea (統一阿薩姆奶茶)” has always been favoured by consumers. Based on the brand core value of “Smooth and Good Mood (順滑好心情)” brought by a perfect balance between milk and tea, brand themed events under “Exploration of Good Mood (探索好心情)” were conducted. In cooperation with Discovery Channel, the first documentary and short video titled “Exploration of Good Mood (探索好心情)” were produced. Also, brand spokesperson Guo Caijie (郭采潔) introduced the brand value of “Balance Brings Good Mood (平衡帶來好心情)” in advertisement and video blogs. The Group jointly worked with the media to recruit “Good Mood Explorers (好心情探索官)”, who would embark on the “Exploration of Good Mood (探索好心情)” trip with Guo Caijie (郭采潔), in order to strengthen brand favorability and loyalty. An in-depth cooperation was conducted with a famous website to hold an afternoon tea session with a theme of “Uni Assam, Cheers for Good Mood (統一阿薩姆·為好心情乾杯)”, which was loved by young people due to the dedicated webpage activities. The brand awareness and favorability of “Uni Assam Milk Tea (統一阿薩姆奶茶)” were enhanced in more areas and among young people.

In 2020, “Uni Assam Milk Tea (統一阿薩姆奶茶)” will continue to protect the stability of market order and facilitate the healthy and stable development of the brand. With a change in the mode of consumption, the Group will work together with e-commerce online shopping platforms to plan for online sales activities. To correspond with the bulk purchase habit in on online shopping, we have developed new packages containing 3 bottles or 4 bottles of “Uni Assam Milk Tea (統一阿薩姆奶茶)” of different flavours to meet different drinking needs. The brand promotes rejuvenating vitality and facilitates cross-industry fun practices by cooperating with popular authorized images among young people.

With continued operations in the hot drinks season in 2019, “Assam Small Milk Tea (阿薩姆小奶茶)”, introduced iSharing of Taiwan and the popular “Sharing Popo (雪鈴兔波波)” in Taiwan to carry out promotion in a more warm-hearted and creative way and attract consumers’ attention by implementing a differentiated marketing model. In 2020, the product strength of “Assam Small Milk Tea (阿薩姆小奶茶)” will continue to be upgraded with a focus on key cities and the hot drinks market in order to build up a brand image associated with warm winter.

Low-temperature sterilization technology and freshly extracted tea essence are used to produce the chilled “Uni Assam Milk Tea (統一阿薩姆奶茶)”. Being stored between 2℃~8℃ for 21 days, the taste of the milk tea is further enhanced. The product is sold and promoted in key cities to, coupled with the packages combined with fresh food available at convenience stores, allow consumers to enjoy a “Smooth and Good Mood (順滑好心情)”.

“Uni Milk Tea (統一奶茶)” focuses on student groups to cultivate the habit of milk tea consumption. It stresses the fragrance of malt to highlight the brand proposition of “Mouthful of Malt, it is so smooth (夠麥味, 就是那麼順)”. In 2019, a horoscope packaging was launched under the “Uni Milk Tea x Uncle Tong Dao (統一奶茶 x 同道大叔)” cooperation in order to communicate with students and nurture milk tea consumers.

Aqua More

The core brand proposition of “Interest Your Boringness (趣你的乏味)” of “Aqua More (水趣多)” continued in 2019. With the light flavour of lactobacillus as the product feature, Aqua More introduced fun to drinking water. In collaboration with the film “Pokémon Detective Pikachu”, the “Interesting but No Boring (有趣、不乏味)” brand image was created for “Aqua More (水趣多)” with the adorable and interesting image of Pikachu. Adhering to the parent-child brand proposition, the Group held various parent-child activities, such as “parent-child painting (親子繪畫)”, “water park (水上樂園)” and “fun school term (造趣開學季)”, to communicate and interact with consumers in a fun way and strengthen the brand image. In terms of channel, the operation focus was placed on core cities to develop new growth points with our steady expansion efforts.

Others

Coffee

In respect of “A-Ha (雅哈)” Coffee, the Group exerted main efforts on “A-Ha Iced Coffee (雅哈冰咖啡)” in 2019, and promoted the launch of the new packaging and new flavour of “A-Ha Italian Mellow (雅哈意式醇香)” series in order to optimize the product mix. The 280ml volume of “A-Ha Italian Mellow (雅哈意式醇香)” targets consumers who pursue a strong coffee flavour and consumers of “A-Ha Iced Coffee (雅哈冰咖啡)”.

“Chat Happily (愉快聊天)” remained the communication axis of “A-Ha (雅哈)” in 2019. Integrated marketing communication of “Talk More if Talkative (會聊你就多說點)” was carried out through metropolitan idol dramas and Bilibili (the “B Platform”), a popular cultural community and video platform among the young generation. “A-Ha Chief Chat Officer (雅哈首席聊天官)” was tailor-made for “A-Ha (雅哈)” Coffee on the B Platform to build up the brand recognition of “A-Ha (雅哈)” in various selected groups on the B Platform.

With the popularization of coffee culture, in order to reach to the upgraded market, the Group launched the “La Rive Gauche de la Seine (左岸咖啡館)” in May 2019 to enter into the high-end chilled beverages sector. “La Rive Gauche de la Seine (左岸咖啡館)” was inspired from the aspiration of the left bank of Seine River in France which is known as a melting pot of cultures. With the “French Romance「法式浪漫」” spirit of “romance is life”, it targets young metropolitans aged between 18 to 35 and promoted romance is not exclusively limited to love, but also a life attitude. Two flavours of “La Rive Gauche de la Seine (左岸咖啡館)” were launched, namely the coffee-rich “Latte” and milky “Café au Lait”, each containing over 50% of fresh milk and 100% Arabic coffee and medium dark roasting and high pressure extraction are utilised to meet the expectation of consumers for high-end products.

In 2020, the Group will continue to regard “A-Ha Iced Coffee (雅哈冰咖啡)” as the focus of coffee business so as to develop a coffee city and communicate accurately with consumers. We will selectively expand the sales area of “La Rive Gauche de la Seine (左岸咖啡館)” to realize a stable development in the chilled coffee market.

Bottled Water

The Group continued to focus on the operations of high quality natural mineral water brand “ALKAQUA (愛誇)” which is available in various channels with a stable selling price of RMB4. The brand proposition of “Colorful and outstanding natural mineral water (一瓶出色的天然礦泉水)” was further promoted based on its enticing appearance and excellent content, so as to meet the demand of “new generation” and “new middle-class” consumer groups for high quality drinking water.

In 2019, the Group newly launched the upgraded “colorful totem edition (七彩圖騰版)” and put the seven colors named by PANTONE, a global color expert, as totem, to reinforce the brand identity. At the same time, the Group launched the limited version “Live Coral Orange Version (活珊瑚橘版)” as the annual representative color under the official authorisation of PANTONE, which was pursued by the extensive young and fashionable consumer groups. A crossover version was launched in cooperation with “Pancoat (盼酷)”, a fashion clothing brand, the adorable animal design of which was favoured by young consumers. “ALKAQUA brand event day (愛誇品牌活動日)” was held to emphasize the outstanding image through the interaction between the brand spokesperson Wang Kai (王凱) and brand fans.

In terms of the contents of “ALKAQUA (愛誇)”, great effort was put to convey the unique product feature of “contents of H_2SiO_3 exceeding 50mg/L (偏矽酸含量大於 50 mg/L)” and developed a Zhihu corporate account of “ALKAQUA (愛誇)” to disseminate water information and the message of healthy drinking to health-conscious consumers. The video of “Praise Every Generation with Love (用愛誇讚每一代)” focusing on brand attitude was created to convey the positive brand spirit of “Praise with Love (以愛誇讚)”.

In 2020, the Group will continue to concentrate on the operations of “ALKAQUA (愛誇)”. With a focus on the integrated marketing communication of “contents of H_2SiO_3 exceeding 50mg/L (偏矽酸含量大於 50 mg/L)”, the interactive experience in respect of the “ H_2SiO_3 (偏矽酸)” efficacy will be enhanced to continuously nurture the “new generation” and “new middle class” consumer groups.

Soy Milk

The Group continued to upgrade the brand image of its botanical protein “Honest Bean (誠實豆)” soy milk in response to consumers’ pursuit of healthy and nutritious life, and adhered to the brand concept of “nutrition with light burden (營養輕負擔)”. The soybeans of “Honest Bean (誠實豆)” are 100% grown in the Changbai Mountain hinterland with good soil, climate and water quality, and ceramic fine grinding is used to fully extract nutrients in the soybeans to create a more natural, smooth and fragrant flavour.

In terms of marketing communication, the brand image was interpreted based on the quality of raw materials. The “Honest Bean (誠實豆)” is “good soy milk from good soil and with good raw materials (好產地好原料出品的好豆奶)”. A stop-motion animation was created for “Honest Bean (誠實豆)” to develop a fantasy adult fairy tale world, enabling consumers to directly feel the core brand values of “originates from the black land of Changbai Mountain (源自長白山黑土地)” and “natural and good beans grown in 120 days (120天孕育的自然好豆)”. At the same time, we conducted integrated promotion by way of the internet and immersive experience to present the product value and ingenuity of “good beans, good milk (源自好豆, 自然好奶)” and develop consumption occasions so as to penetrate into the markets of breakfast drinks and gifts.

Bottle Can Drinks

The Group launched three bottle can drinks in January 2019 to take a pre-emptive move to develop the high-end beverages market. Our “Manya (縵雅)” cold dripped and extracted coffee targets white-collar businessmen by creating for them a drinking scenario as if they are at a boutique café anytime and anywhere with the differentiated appeal of “coffee with a fruit-like fragrance”. Our “Chuan Qi (傳沏)” tea, for which famous national-level tea is selected and the modern and innovative technique of “cold extraction” is used to extract the mellow aroma of Melan (蜜蘭), is acclaimed as “drinkable perfume (能喝的香水)”. For our “allègre” milk tea, limited quantities of black tea of Quinta de San Pedro Alejandrino with rosy aroma is selected and mixed with premium imported milk, delivering a silky and pure taste. The warm and healing personality of the brand is based on the brand spirit of “Encounter allègre, Encounter love (遇見allègre, 遇見愛)”.

The “Keep Sweet (恬蜜光年)” “Mango & Pomelo Sweet Soup (楊枝甘露)” is a ready-to-drink dessert made through scientific technology based on a classic Hong Kong dessert. Each carefully selected fruit brings consumers a readily available taste of happiness anytime and anywhere.

Amazake

Amazake was originated in Japan with a history of over 1,000 years. It is a kind of low-alcohol drink made from sake lees. The “Qian Bai Du Amazake (千擺渡甘酒)” newly launched by the Group in January 2020 uses distillers grains of zake imported from Japan and high quality. Double fermentation, together with the traditional Japanese craftsmanship, was adopted to produce a strong and sweet natural flavour enriched with light alcohol taste ($\leq 0.5\%$ alcohol concentration). The “Qian Bai Du Amazake (千擺渡甘酒)” is an amazake drink full of amino acids and glucose that can be served cold or hot.

RESEARCH AND DEVELOPMENT

From the perspective of consumers, the Group’s Research and Development (“R&D”) Centre continued to integrate innovative resources in multiple directions, adhere to innovation of value and product categories, establish core technologies and upgrade existing products. As of December 2019, our R&D Centre had 81 authorized patents and 49 patents were in application. We will continue to create barrier for our superior technologies.

As for food, the Group’s R&D efforts in 2019 continued to focus on developing Chinese cuisine, sterilization, preservation and self-heating technologies as well as new self-heating containers. The product line of “Premium Meal (開小灶)” was expanded. Three new flavours were launched, namely “Sliced Beef in Hot Chili Oil (水煮牛肉)”, “Cantonese Pot Rice with Sausage (廣式臘味煲仔飯)” and “Meatballs with Bamboo Shoots (三鮮燴四喜)”, which perfectly complemented the original three flavours of “Premium Meal (開小灶)” to satisfy the multiple needs of different customers. “Soup Daren (湯達人)” continued to be upgraded and “Soup Daren (湯達人)” “Gourmet’s Selection (極味館)” was launched in 2019 to offer an original taste available in Japanese ramen restaurants with its low concentration mellow bone broth, large pieces of roasted pork and rich toppings. The exquisite cubic packaging and special curved rim design signify the upgrade and innovation of the “Soup Daren (湯達人)” brand. In 2019, R&D continued to vitalize the innovation of the respective product line of the Company’s existing brands. Optimization of flavours and continuous attempts at technological innovation improved the performance of existing brands and stabilized development. “Uni-President The King of Tomato (統一茄皇)” “Tomato Egg Noodles (番茄雞蛋麵)” were successfully launched in which fresh Xinjiang tomato sauce and matured tomatoes granules are used to produce big bags of tomato soup. The freshness and sweet and sour flavour of tomatoes are perfectly preserved, which together with the industry-first microwave-dried onion and egg pieces provide a homemade taste to consumers.

In order to meet consumers' demand for different types of noodles, "Sour and Spicy Cold Noodles (酸辣涼皮)" and "Sesame Sauce Cold Noodles (麻醬涼皮)" were successfully launched under "Mix-up in Town with you (香拌一城)". Low-temperature non-frying extrusion production technology is adopted to produce chewy and smooth noodles that are ready-to-eat in 4 minutes. The "Sour and Spicy Cold Noodles (酸辣涼皮)" are made by three-stage hot oil production technology. Together with the chili oil and vinegar, a signature sour and spicy flavour with the nice colour and aroma of chili is presented. The "Sesame Sauce Cold Noodles (麻醬涼皮)", featuring an optimal taste of complex sesame paste fragrance, are made of carefully selected aromatic and smooth sesame paste and a perfect balance of ingredients including vinegar, chili oil and vine pepper oil.

As for drink, with the rising health awareness of consumers, the market demand for sugar-free products has been increasing. In 2019, Uni-President conducted a comprehensive upgrade of "Chai Li Won (茶裏王)". Two sugar-free tea flavours of "Japanese green tea" and "Taiwanese oolong tea" were launched to provide high quality tea featuring "no additives and a sweet taste came after (不添加, 自然回甘)". Given the carefully selected tea leaves and multiple core technologies including the extraction process under high and low temperature, the tea fragrance is fully released while freshness and sweetness are preserved to create a multi-level aroma, providing consumers with an enjoyment of "sweet taste came after" as always and spiritual pleasure.

Core technologies were developed to ensure the Group's competitive advantages. In 2019, through internal and external synergies and innovation as well as independent and proprietary innovation, we continued to exert greater effort in over ten core technology projects to create technological barriers. For instance, the original soup processing technology was applied to "Soup Daren (湯達人)" "Gourmet's Selection (極味館)"; the multi-stage sterilization technology was applied to condiment bags of "Premium Meal (開小灶)"; the fast rice cooking technology was applied to the rice of "Premium Meal (開小灶)" to provide pre-cooked rice; tea roasting and aroma preservation technique was applied to the two types of sugar-free tea of "Chai Li Won (茶裏王)".

In 2020, the Group's R&D will be dedicated to continuous innovation, product optimization and upgrade and development of core technologies to ensure that consumers are comfortable and happy to enjoy our products.

FOOD SAFETY

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

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

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

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

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

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

As of 2019, 27 subsidiaries of the Group have passed the ISO9001 International Standard Quality Management System Certification, and 25 subsidiaries have been accredited with the ISO22000 International standard Food Safety Management System Certification. These certifications and awards recognised our ongoing improvement of food safety and quality assurance system and our capability of safeguarding food safety as well as our dedication to providing consumers with delicious, healthy and safe food.

PRODUCTION STRATEGIES

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

FINANCIAL RESULTS

For the year ended 31 December 2019 (the “Year”), the Group recorded a revenue of RMB22,019.7 million, representing an increase of 1.1% from RMB21,772.2 million for 2018. Revenue from the instant noodles business increased by 0.9%, and revenue from the beverages business increased by 0.9%, standing at RMB8,500.7 million and RMB12,730.5 million respectively, accounting for 38.6% and 57.8% respectively of the Group’s total revenue. During the Year, gross profit of the Group increased by 8.6% from RMB7,288.6 million for the corresponding period last year to RMB7,918.3 million, while the gross profit margin increased by 2.5 percentage points from 33.5% for the corresponding period last year to 36.0%, which was mainly due to the Group’s continuous optimisation of its product mix, decreasing cost of raw materials and a series of reductions in taxes and administrative fees by the PRC government.

During the Year, the selling and marketing expenses increased to RMB5,367.6 million (2018: RMB5,097.7 million). During the Year, administrative expenses amounted to RMB1,007.2 million (2018: RMB1,114.5 million). The increase in selling and marketing expenses was due to the Group's increased investments in channels and brand marketing and enhanced focus on the promotion of newly launched products, whereas the decrease in administrative expenses was due to the value-added tax reduction policy implemented by the PRC government, which led to the reduction of the corresponding surtax.

Operating profit was RMB1,806.3 million for the Year, increasing by 35.6% from the operating profit of RMB1,331.9 million for 2018, mainly benefited by an increase in both gross profit margin and revenue. The share of profits of investments accounted for using the equity method decreased by 84.6% to RMB13.0 million (2018: RMB84.4 million) during the Year, while 2018 benefited from the increase in the investment results of joint ventures. Profit attributable to equity holders of the Company for the Year was RMB1,366.2 million, representing an increase of 32.7% as compared with RMB1,029.7 million of the corresponding period last year. Earnings per share during the Year were RMB31.63 cents (2018: RMB23.84 cents).

FINANCIAL ANALYSIS

Cash and Borrowings

As at 31 December 2019, the Group had cash and bank balances of RMB6,483.5 million (31 December 2018: RMB5,176.5 million), among which 99.8% was denominated in Renminbi. The Group mainly financed its operation and capital expenditures with internally generated cash flow. As at 31 December 2019, the Group's total financial liabilities decreased by 39.3% to RMB1,207.1 million (31 December 2018: RMB1,987.7 million), which was attributable to the repayment of RMB500 million notes falling due and certain bank borrowings. 99.2% of the Group's total financial liabilities was denominated in Renminbi. As at 31 December 2019, all of the Group's financial liabilities excluding lease liabilities bore floating interest rates. As at 31 December 2019, the Group did not have any secured bank borrowing (31 December 2018: Nil).

Financing

The Group aims to maintain an appropriate capital structure. Taiwan Ratings Corporation, a credit rating agency, issued a credit rating report on 18 July 2019, and maintained the Group's long term credit rating at "twAA", with its rating outlook standing at "Stable (穩定)". The following table sets out the gearing ratios of the Group during the two years ended 31 December 2019.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Total borrowings (including lease liabilities)	1,207,108	1,987,726
Less: cash and bank balances	<u>(6,483,500)</u>	<u>(5,176,478)</u>
Net cash	(5,276,392)	(3,188,752)
Total equity	<u>13,632,930</u>	<u>13,222,307</u>
Total capital	<u><u>8,356,538</u></u>	<u><u>10,033,555</u></u>
Gearing ratio (<i>Note</i>)	<u><u>(63.14%)</u></u>	<u><u>(31.78%)</u></u>

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

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

Cash Flow and Capital Expenditure

As at 31 December 2019, the Group recorded a year-on-year net decrease in cash and cash equivalents of RMB505.9 million, comprising net cash inflow from operating activities of RMB2,869.3 million, net cash outflow from investing activities of RMB1,469.8 million and net cash outflow from financing activities of RMB1,905.4 million. The Group's capital expenditure for the Year was RMB409.0 million (31 December 2018: RMB985.8 million), which mainly resulted from the procurement, improvement and upgrading of equipment and the investment in R&D equipment.

Analysis of Operating Efficiency

Sales to most customers were made on a delivery on payment basis. Trade receivables were generated from credit sales to credit customers in modern channels (including but not limited to food and groceries stores, stalls, department stores and e-commerce merchants) with credit terms normally ranging from 60 to 90 days. During the Year, as the sales to credit sales customers increased, net trade receivables increased by RMB39 million to RMB569.1 million (31 December 2018: RMB530.1 million).

The Group's trade payables mainly arose from credit purchase of raw materials, and the inventories mainly comprised raw materials, packaging materials, finished goods. Trade payables of the Group increased by RMB169.2 million to RMB1,723.4 million (31 December 2018: RMB1,554.2 million), while the inventories increased by RMB280 million to RMB1,739.0 million (31 December 2018: RMB1,459.0 million). The increase in inventories was due to the increase in raw materials, packaging materials and finished goods required in the early preparation for increased production and sales during the Chinese New Year. The following table sets out the major turnover days during the two years ended 31 December 2019.

	Year ended 31 December	
	2019	2018
Trade receivables turnover days	9	9
Inventory turnover days	41	33
Trade payables turnover days	<u>42</u>	<u>37</u>

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

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

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

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

Financial Management

The Group adhered to the principle of financial prudence. It sought to control risk variables and moved forward prudently by moderately adjusting its selling and marketing expenses according to market conditions, and made appropriate capital expenditures to optimise and expand its infrastructure. The Group's finance department formulated financial risk management policies based on the policies and procedures approved by the Board and guided by executive Directors. These policies were reviewed by the Group's internal audit department and the internal control department regularly. The Group's financial policy aims at reducing impact of interest rate and exchange rate fluctuations on the Group's overall financial position, as well as minimising the Group's financial risk exposure.

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

Treasury Policy

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

SIGNIFICANT INVESTMENT

As at 31 December 2019, the Group's financial assets measured at fair value through other comprehensive income was RMB6.0 million (2018: RMB218.6 million). The decrease in financial assets measured at fair value through other comprehensive income was due to the disposal of the equity of Heilongjiang Wondersun Dairy Joint Stock Co., Ltd. ("Wondersun") (non-listed securities).

On 13 December 2019, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Group agreed to dispose of and the Purchaser agreed to purchase all of the Group's interest in Wondersun, being approximately 9% of the equity interest of Wondersun, at a consideration of RMB334.0 million (the "Disposal"). A gain on Disposal of RMB122.3 million, or RMB92.1 million net of PRC income tax of RMB30.2 million was derived from the Disposal. The Disposal was completed on 27 December 2019. The net of tax gain of RMB92.1 million was recognised in other comprehensive income according to the Group's accounting policies. Such net of tax gain on Disposal together with the cumulative loss from fair value changes previously recognised in other comprehensive income and transferred to other reserves of RMB21.4 million was reclassified from other reserves to retained earnings upon completion of Disposal.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019.

CHARGES ON GROUP ASSETS

The Group did not have any charge on group assets as at 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL

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

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was 29,494. The Group adhered to the policies of focused and streamlined operation, and organisational structure and staff structure were improved on a continuous basis to build a stronger and efficient enterprise. In terms of recruitment, the Group was streamlining its administration and progressing towards meritocracy. The Group insisted on building a stable and robust team through mechanisms including comprehensive training and humane care. Internal training, regular position transfer, external part-time study and other measures enhanced our overall performance and provided talents for key positions of the Group steadily. Meanwhile, priorities were given to internal promotion over external recruitment, and performance appraisal and other measures were implemented to keep the current management team ambitious and strong. To achieve the Group's annual goals, the Group had performance bonuses and incentive schemes in place to commend and encourage employees at all levels to make outstanding contributions to the Group's business. Performance bonuses were distributed on the basis of the realised earnings and profits objectives of individual business units and the Group as a whole, as well as the performance appraisal.

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

During the Year, total staff costs (including directors' remuneration) were RMB3,416.1 million (2018: RMB3,217.4 million).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the external auditors of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB31.63 cents per share for the Year.

The final dividend will be paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China for five days prior to the date of the forthcoming annual general meeting of the Company. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or around Thursday, 18 June 2020 to Shareholders whose names appear on the register of members of the Company on Monday, 1 June 2020.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all code provisions of the corporate governance code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in early 2020, a series of precautionary and epidemic control measures have been implemented in the PRC, including but not limited to, extension of the Chinese New Year holiday nationwide, suspension of work in certain regions, travel restrictions, quarantine arrangements, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing. It is expected that such measures would impose a temporary and limited impact on the transportation and production cost of the Group in certain regions. As at the date of this announcement, the Group was not aware of any significant effect on its businesses as a result of the outbreak of COVID-19. The Group will continue to monitor and evaluate the impacts may be brought to it by the outbreak of COVID-19.

RE-ELECTION OF DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020 (both days inclusive) in order to determine the entitlement of the shareholders of the Company to attend the forthcoming annual general meeting of the Company to be held on Friday, 22 May 2020, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 15 May 2020.

The register of members of the Company will be closed from Thursday, 28 May 2020 to Monday, 1 June 2020 (both days inclusive) in order to determine the entitlement of shareholders of the Company to receive the final dividend, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 27 May 2020.

Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 22 May 2020, the final dividend will be paid on or around Thursday, 18 June 2020.

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

The consolidated financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2018 or 2019 but is derived from those financial statements. The 2019 annual report of the Company will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at <http://www.uni-president.com.cn> in due course.

ACKNOWLEDGEMENT

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

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

25 March 2020

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