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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 2023 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB28,591.3 million, up by 1.2% as compared with the previous year.
- Group gross margin was 30.5%, up by 1.5 percentage points as compared with the previous year.
- EBITDA was RMB3,425.4 million, up by 16.8% as compared with the previous year.
- Profit attributable to equity holders of the Company was RMB1,667.1 million, up by 36.4% as compared with the previous year.

FINAL DIVIDEND

- Final dividend for 2023 of RMB42.45 cents per share has been proposed.

Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together as the “Group”, “our Group”, “we”, “our” or “us”) adheres to the corporate vision of “Honesty and Diligence; Innovation and Excellence (誠實勤道、創新求進)” and upholds the principle of “Value Marketing (價值營銷)”. With a focus on operation, we are always vigorous in creating brand value, pursuing steady operation and aligning to “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 2023, the first year of post-pandemic economic recovery, consumption habits and concepts of the general public evolved, posing challenges to business operation as well as new opportunities for growth. The Group demonstrated unparalleled resilience during the pandemic. Leveraging on its experienced management team, robust profit-making model and risk management mechanism, the Group has continuously optimised its organisational and operational structure to properly cope with the systemic risks brought about by market fluctuations. Since the outbreak of the pandemic in 2020, the Group’s revenue has been growing at a compound annual growth rate of 7.9%, in which the compound annual growth rate of the beverages even reached 12.3%.

In 2023, the Group's revenue continued to set another record high, reaching RMB28,591.3 million, representing an increase of 1.2% over last year, and post-tax profits amounted to RMB1,667.1 million, representing an increase of 36.4% over last year. In particular, "The King of Tomato (茄皇)" continued to enjoy favorites from markets and doubled the compound annual growth rate of its revenue in the past three years; "Kai Xiao Zao (開小灶)" continued to promote Chinese culinary culture and launched a range of new products under the brand name of "Private Kitchen (私房菜)", actively expanding its product matrix; "Uni Green Tea (統一綠茶)" persisted in the innovation and optimisation of its product strength to build up its brand assets and develop a national brand of quality and healthy tea; "Haizhiyan (海之言)" seized the new consumer opportunities in the post-pandemic era and achieved a high double-digit year-on-year growth in revenue; and "Uni Assam Milk Tea (統一阿薩姆奶茶)" further diversified its drinking scenarios and secured its leading position in the industry.

With the steady recovery of China's economy in 2023, we have been more proactively integrating into this dynamic market. The Group will continue to focus on its operation and strive to build a long-term competitive barrier of brands through the building of brand power; make freshness control a fundamental policy for its operation and maintain healthy inventory levels in its sales channels; continue to expand and cultivate diversified offline and online channels to deepen market penetration and extend consumption scenarios, so as to get closer to the consumers; continue to promote its digital transformation, so as to empower its business operation in all aspects; and keep building up brands and cultivating future trendy products with a long-term perspective, and continue to create value for consumers by upholding the corporate philosophy of "Three Goods and One Fairness (三好一公道)".

FINAL DIVIDEND

Based on the Group's overall performance in 2023, and having accounted for, including but not limited to, the Group's surplus, overall financial condition and capital expenditures, the board (the "Board") of directors (the "Directors") of the Company will propose to declare a final cash dividend of RMB42.45 cents per share (amounting to a total dividend of approximately RMB1,833.8 million) for the year ended 31 December 2023 at the forthcoming annual general meeting of the Company.

PROSPECT

2023 was the "Consumption-Boosting Year (消費提振年)" in China, consumption-promoting policies were rolled out intensively in many places across the country to promote the development of the consumer market, which played an important supporting role in boosting consumer confidence, driving industry development, and stabilising the uptrend of consumer spending recovery. Looking ahead, "seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old (穩中求進、以進促穩、先立後破)" will become the main theme of the economic work of the "Consumption-Promoting Year (消費促進年)" in 2024. Under the new economic landscape, the Group will continue to adapt to the changing needs of consumers and continue providing consumers with safe, high-quality and innovative products, so as to achieve greater success in the highly competitive market and to strive for better operating results for the benefit of all shareholders.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	28,591,271	28,257,432
Cost of goods sold	4	<u>(19,879,540)</u>	<u>(20,069,515)</u>
Gross profit		8,711,731	8,187,917
Other gains – net		413,600	54,297
Other income	5	351,273	336,556
Other expenses	4	(133,953)	(148,946)
Selling and marketing expenses	4	(6,277,942)	(5,886,596)
Administrative expenses	4	(1,065,856)	(1,041,026)
Net impairment losses on financial assets	4	<u>(2,393)</u>	<u>(6,385)</u>
Operating profit		1,996,460	1,495,817
Finance income		252,671	269,396
Finance costs		<u>(59,121)</u>	<u>(60,526)</u>
Finance income – net	6	193,550	208,870
Share of profits of investments accounted for using the equity method		<u>49,914</u>	<u>26,142</u>
Profit before income tax		2,239,924	1,730,829
Income tax expenses	7	<u>(572,864)</u>	<u>(508,672)</u>
Profit for the year attributable to the equity holders of the Company		<u>1,667,060</u>	<u>1,222,157</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	8	<u>38.60 cents</u>	<u>28.30 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Profit for the year		1,667,060	1,222,157
Other comprehensive income:			
<i>Items that may not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations		<u>188</u>	<u>1,262</u>
Other comprehensive income for the year, net of tax		<u>188</u>	<u>1,262</u>
Total comprehensive income for the year attributable to the equity holders of the Company		<u>1,667,248</u>	<u>1,223,419</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,489,433	6,662,688
Right-of-use assets		1,565,227	1,702,095
Investment properties		237,479	256,417
Intangible assets		8,007	6,687
Investments accounted for using the equity method		845,597	817,729
Deferred income tax assets		255,748	356,104
Other receivables – non-current portion		17,567	27,592
Long-term time deposits		5,070,170	3,532,170
		<u>14,489,228</u>	<u>13,361,482</u>
Current assets			
Inventories		2,125,883	2,522,530
Trade and bills receivables	10	585,790	819,877
Prepayments, deposits and other receivables		755,215	904,888
Current income tax recoverable		64,136	35,019
Financial assets at fair value through profit or loss		1,618,682	1,018,521
Cash and bank balances		2,495,284	3,122,038
		<u>7,644,990</u>	<u>8,422,873</u>
Total assets		<u>22,134,218</u>	<u>21,784,355</u>
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		4,246,943	3,858,113
Retained earnings		4,265,771	4,453,577
		<u>13,382,377</u>	<u>13,181,353</u>
Total equity		<u>13,382,377</u>	<u>13,181,353</u>

	<i>Note</i>	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		342,760	322,048
Lease liabilities – non-current portion		62,587	75,650
Other payables – non-current portion		331,318	277,139
		<u>736,665</u>	<u>674,837</u>
Current liabilities			
Trade payables	<i>11</i>	2,122,561	2,675,047
Other payables and accruals		2,019,652	2,133,160
Contract liabilities	<i>3(b)</i>	2,823,147	2,257,836
Borrowings		990,647	767,756
Lease liabilities		26,201	26,090
Current income tax liabilities		32,968	68,276
		<u>8,015,176</u>	<u>7,928,165</u>
Total liabilities		<u>8,751,841</u>	<u>8,603,002</u>
Total equity and liabilities		<u>22,134,218</u>	<u>21,784,355</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 as the “Group”) are principally engaged in the manufacturing and sale of beverages and food in the People’s Republic of China (the “PRC”) (the “PRC Beverages and Food 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 MATERIAL AND OTHER ACCOUNTING POLICIES

This note provides a list of the material and other 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

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap.622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value or revalued amount
- defined benefit pension plans – plan assets 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

A number of new or amended standards, accounting guidance and interpretations became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKFRS Practise Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 12 (Amendments)	OECD Pillar Two Rules	Immediately, except for certain disclosures

(b) The following new standards and amendments to standards, and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1

The Group is assessing the full impact of the new standards and amendments to standards, accounting guidance and interpretations.

(c) *Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong*

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which will be effective from 1 May 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“MPF Benefits”) of an entity would no longer be eligible to offset against its obligations on long service payment (“LSP”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “practical expedient”) to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “Guidance”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a ‘simple type of contributory plans’ to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group’s LSP obligations in the year of enactment of the Amendment Ordinance.

Obligations on LSP accrued was immaterial for the Group; therefore, the abovementioned change in accounting policy does not have significant impact to the consolidated financial statements of the Group.

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, food, others and unallocated.

Others mainly includes the sales of bottle water, wine, cosmetics products and other non-beverages or non-food products. Unallocated mainly includes the cost centers of the Group, such as corporate department, administration department, group finance department, human resources department and information technology department, which support the whole Group’s activities.

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 revenue 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 2023 and 2022 is as follows:

	Beverages	Food	2023 Others	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment results					
Revenue	<u>17,775,543</u>	<u>9,846,833</u>	<u>968,895</u>	<u>–</u>	<u>28,591,271</u>
Segment profit/(loss)	1,878,380	77,368	66,460	(25,748)	1,996,460
Finance income – net	–	–	–	193,550	193,550
Share of profit/(loss) of investments accounted for using the equity method	51,246	–	–	(1,332)	49,914
Profit before income tax					2,239,924
Income tax expense					(572,864)
Profit for the year					<u>1,667,060</u>
Depreciation and amortisation	<u>736,455</u>	<u>298,466</u>	<u>34,082</u>	<u>62,768</u>	<u>1,131,771</u>
Assets	8,281,274	3,641,447	931,081	8,434,819	21,288,621
Investments accounted for using the equity method	692,271	–	–	153,326	845,597
Total assets	8,973,545	3,641,447	931,081	8,588,145	<u>22,134,218</u>
Liabilities	4,090,463	3,162,645	329,520	1,169,213	8,751,841
Total liabilities					<u>8,751,841</u>
Addition to non-current assets	<u>811,905</u>	<u>215,881</u>	<u>35,730</u>	<u>15,282</u>	<u>1,078,798</u>

	Beverages	Food	2022 Others	Unallocated	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment results					
Revenue	<u>16,405,389</u>	<u>11,009,440</u>	<u>842,603</u>	<u>–</u>	<u>28,257,432</u>
Segment profit/(loss)	1,828,988	7,634	20,795	(361,600)	1,495,817
Finance income – net	–	–	–	208,870	208,870
Share of profit/(loss) of investments accounted for using the equity method	56,512	–	–	(30,370)	<u>26,142</u>
Profit before income tax					1,730,829
Income tax expense					<u>(508,672)</u>
Profit for the year					<u>1,222,157</u>
Depreciation and amortisation	<u>756,026</u>	<u>300,965</u>	<u>31,956</u>	<u>52,093</u>	<u>1,141,040</u>
Assets	7,958,824	3,652,724	878,521	8,476,557	20,966,626
Investments accounted for using the equity method	659,951	–	–	157,778	<u>817,729</u>
Total assets	8,618,775	3,652,724	878,521	8,634,335	<u>21,784,355</u>
Liabilities	4,129,443	3,183,113	344,120	946,326	<u>8,603,002</u>
Total liabilities					<u>8,603,002</u>
Addition to non-current assets	<u>325,876</u>	<u>192,855</u>	<u>7,910</u>	<u>19,235</u>	<u>545,876</u>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, financial assets at FVPL, 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 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– Mainland China	9,145,742	9,445,613
– Overseas countries and territories	1	3
Financial instruments	5,087,737	3,559,762
Deferred income tax assets	255,748	356,104
	<u>14,489,228</u>	<u>13,361,482</u>

(b) Liabilities related to contracts with customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract liabilities – Beverages	1,884,117	1,459,608
Contract liabilities – Food	922,930	765,661
Contract liabilities – Others	16,100	32,567
	<u>2,823,147</u>	<u>2,257,836</u>

(i) Significant changes in contract liabilities

The increase in contract liabilities in 2023 was mainly due to the Group's requirement for distributors to wire the advance payments earlier in 2023 as compared to 2022.

(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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Beverages	1,459,608	1,888,504
Food	765,661	1,220,514
Others	32,567	124,026
	<u>2,257,836</u>	<u>3,233,044</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.

4 EXPENSES BY NATURE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials, packaging materials, consumables and purchased commodity used	17,388,593	17,637,668
Changes in inventories of finished goods	127,069	123,168
Manufacturing outsourcing expenses	133,644	66,824
Promotion and advertising expenses	1,320,129	1,181,514
Employee benefit expenses, including directors' emoluments	4,474,718	4,324,255
Transportation expenses	1,338,725	1,361,176
Depreciation of property, plant and equipment	1,021,274	1,023,585
Amortisation of right-of-use assets	85,158	92,256
Depreciation of investment properties	18,938	19,213
Amortisation of intangible assets	6,401	5,986
Short-term rental expenses	73,828	68,639
City construction tax, property tax and other tax surcharges	266,230	265,125
(Reversal of)/write-downs of inventories to net realisable value	(15,337)	13,894
Net impairment losses on financial assets	2,393	6,385
Auditors' remunerations		
– Audit services	7,294	7,789
– Non-audit services	610	2,496
Others	1,110,017	952,495
Total	27,359,684	27,152,468

5 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	130,709	93,696
Rental income from lease of property, plant and equipment and investment properties	136,601	142,475
Consultation service income	57,698	60,468
Others	26,265	39,917
	351,273	336,556

The income from government grants represented financial support subsidy received from various local governments in the PRC as rewards to the Group's subsidiaries for their contributions to the economy and development of the regions in which the subsidiaries are located. Such government grants were unconditional and with no future commitment to be fulfilled. They were recognised within 'other income' in the consolidated income statement.

6 FINANCE INCOME – NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance income		
– Interest income on cash and bank balances	<u>252,671</u>	<u>269,396</u>
Finance costs		
– Interest expenses on borrowings	(50,532)	(57,453)
– Interest expenses on lease liabilities	(3,215)	(3,627)
– Net foreign exchange (losses)/income	<u>(5,374)</u>	<u>150</u>
	(59,121)	(60,930)
– Amounts capitalized on qualifying assets	<u>–</u>	<u>404</u>
Finance costs expensed	<u>(59,121)</u>	<u>(60,526)</u>
Finance income – net	<u><u>193,550</u></u>	<u><u>208,870</u></u>

7 INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax expenses	451,843	482,526
Deferred income tax expenses	<u>121,021</u>	<u>26,146</u>
	<u><u>572,864</u></u>	<u><u>508,672</u></u>

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

Subsidiaries established in Mainland China are subject to CIT at rate of 25% (2022: 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 are subject to income tax at the prevailing rates of 20% (2022: 20%).

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department, the first HK\$2 million of assessable profits of subsidiaries incorporated in Hong Kong is subject to a tax rate of 8.25% during the year ended 31 December 2023 (2022: 8.25%). The remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5% (2022:16.5%).

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% (2022: 25%) applicable to profits of the consolidated entities as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>2,239,924</u>	<u>1,730,829</u>
Tax calculated at the statutory tax rate in the PRC	559,981	432,707
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	(55,259)	(36,817)
Tax losses for which no deferred income tax asset was recognized	24,415	52,278
Recognition of previously unrecognized tax losses and other temporary differences	(6,062)	(6,031)
Reversal of previously recognized tax loss	5,487	–
Income not subject to tax	(12,478)	(6,535)
Expenses not deductible for tax purpose	9,408	19,533
Additional deduction of research and development expenses	(31,048)	(17,943)
Withholding tax on profits retained by PRC subsidiaries	<u>78,420</u>	<u>71,480</u>
Income tax expense	<u>572,864</u>	<u>508,672</u>

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

	2023			2022		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income:						
– Actuarial gains on defined benefit plans	<u>235</u>	<u>(47)</u>	<u>188</u>	<u>1,578</u>	<u>(316)</u>	<u>1,262</u>
Income tax expense		<u>(47)</u>			<u>(316)</u>	

(c) **The Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules**

The Group has operation in Mainland China, Hong Kong and Taiwan. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in jurisdictions including Mainland China and Taiwan. Hong Kong has announced that it plans to implement the Global Minimum Tax and Hong Kong Domestic Minimum Top-up Tax starting from 2025 onwards but it is still under public consultation with the expectation that draft legislation will be published in the second half of 2024. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in May 2023.

Since the Pillar Two legislation in the jurisdictions that the Group operates in was not enacted or substantively enacted as at the reporting date, and due to the uncertainty of the announcement of the legislation and the complexities in applying the legislation and calculating GloBE (the Global Anti-Base Erosion Proposal, or 'GloBE') income, the Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

8 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.

	2023	2022
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	1,667,060	1,222,157
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>38.60 cents</u>	<u>28.30 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.

9 DIVIDENDS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB42.45 cents (2022: RMB33.95 cents) per ordinary share	<u>1,833,769</u>	<u>1,466,588</u>

The dividends paid by the Company in 2023 and 2022 for the years ended 31 December 2022 and 2021 amounted to RMB1,466,224,000 and RMB1,807,367,000 respectively.

A dividend in respect of the year ended 31 December 2023 of RMB42.45 cents per share, amounting to a total dividend of RMB1,833,769,000 was proposed by the directors on the board of directors meeting held on 6 March 2024 and is to be proposed for approval at the annual general meeting to be held on or around 31 May 2024. These financial statements do not reflect this dividend payable.

10 TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– from third parties	587,170	816,599
– from related parties	14,510	18,993
	<u>601,680</u>	<u>835,592</u>
Less: loss allowance	<u>(22,033)</u>	<u>(19,644)</u>
Trade receivables, net	579,647	815,948
Bills receivables		
– from third parties	6,143	3,929
Trade and bills receivables	<u><u>585,790</u></u>	<u><u>819,877</u></u>

The credit terms granted to customers by the Group are usually 60 to 90 days (2022: 60 to 90 days). At 31 December 2023, the ageing analysis of trade receivables based on the date of demand note is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	541,047	761,851
– 91 to 180 days	47,141	62,624
– 181 to 365 days	2,895	10,105
– Over one year	10,597	1,012
	<u><u>601,680</u></u>	<u><u>835,592</u></u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables, gross		
– RMB	596,223	829,437
– USD	1,626	1,903
– HKD	3,831	4,252
	<u><u>601,680</u></u>	<u><u>835,592</u></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.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

As at 31 December 2023 and 2022, all bills receivables within the Group are bank acceptance bills since they are substantially deposited at or issued by state-owned banks and other medium or large sized listed banks with maturity dates within 1 year and the credit risks in respect of the bills receivables are considered to be low.

11 TRADE PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables		
– to third parties	1,516,293	2,004,296
– to related parties	606,268	670,751
	<u>2,122,561</u>	<u>2,675,047</u>

The credit terms granted by suppliers to the Group are usually 60 to 90 days (2022: 60 to 90 days). At 31 December 2023, the ageing analysis of trade payables based on the date of demand note is as follows:

	2023	2022
	RMB'000	RMB'000
Trade payables		
– Within 30 days	1,574,934	2,144,316
– 31-90 days	469,295	451,248
– 91-180 days	37,163	32,732
– 181 to 365 days	16,188	18,989
– Over 1 year	24,981	27,762
	<u>2,122,561</u>	<u>2,675,047</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

ANALYSIS ON ECONOMIC ENVIRONMENT

In 2023, the gross domestic product (“GDP”) of the People’s Republic of China (the “PRC” or “China”) recorded a year-on-year increase of 5.2% and total retail sales of consumer goods grew by 7.2% year-on-year, demonstrating the resilience and vitality of China’s economy as well as the emergence of consumption as a major driver of economic growth. The year 2023 was positioned as the “Consumption-Boosting Year (消費提振年)”. The PRC government actively rolled out a series of policies and measures to promote consumption, focusing on expanding domestic demand and unleashing the potential of consumption. The consumer market continued to recover and demonstrated a trend of steady growth.

In 2023, the food and beverage industry encountered fluctuations in the prices of related raw materials. The global economy continued to face multiple risks such as rising inflation, geopolitical tensions and fluctuations in energy and commodity prices. Under such background, the Group continued to pay attention to the changes in the external environment, constantly enhanced its organisational coordination and risk management capabilities, fully utilised its advantages in supply chain and research and development, and maximised its resource utilisation efficiency under the principle of improvement in efficiency.

After the pandemic, consumers have become increasingly concerned about product quality, health and convenience, become more rational in consumption decisions, and focused on products with good value for money, while paying attention to quality and practical needs in pursuit of products that satisfy their emotional value. Consumption appeared more polarised, with high-end and affordable products each having their own market. Moreover, consumer demand has become increasingly personalised, diversified and scenario-based. New consumer channels, such as O2O, community e-commerce, interest-based e-commerce and live broadcast, were under rapid development. The rapidly changing market has gradually highlighted the importance of omni-channel expansion. The Group upholds a value-based marketing strategy, continues to cultivate offline and online diversified channels, develops products with ingenuity, and insists on innovation to satisfy consumers’ needs in different scenarios.

SUSTAINABLE DEVELOPMENT

The Group continues to improve its social responsibility management mechanism, incorporating sustainable development into its overall business strategy to implement social responsibility risk management and advance its sustainable development goals. We have comprehensively strengthened economic, social and environmental management, and implemented improvement measures on key corporate responsibility issues, including climate change, water resources management, green production, product safety and quality, product nutrition and safety, customer service quality, employee development, occupational health and safety, and giving back to the society, in order to enhance the standards for corporate sustainability.

The Group follows the goal and strategy of “sustainable development (永續發展)”, and while pursuing performance growth, the Group always practices its social responsibilities. With respect to the Group’s policies, measures, actions and achievements in corporate social responsibility (“CSR”) for the year ended 31 December 2023, please refer to the CSR Report published by the Group, which can be viewed or downloaded on the website of HKEXnews (<http://www.hkexnews.hk>) and the Company’s website (<http://www.uni-president.com.cn>).

BUSINESS REVIEW

In 2023, the Group adhered to its core philosophy of focused operation, striving to uphold the strategy of brand building and value-based marketing through continuous healthy operation and strengthened freshness management. The Group actively accumulated brand assets on a long-term basis and continued to optimise product strengths and product mix. We achieved record-high revenue while maintaining sound operation, and relentlessly pursued innovation, upheld the spirit of honesty and diligence, focused on the brands’ core messages, explored and responded to the nature of consumer demand, proactively expanded consumption scenarios, and built diversified channels in line with the ever-changing consumer trends.

The Group recorded a revenue of RMB28,591.3 million for the year ended 31 December 2023, representing an increase of 1.2% as compared with that of last year. Performances of the Group’s core businesses are as follows:

Food Business

With an aim to satisfy the needs of consumers, the Group was committed to managing product quality, continuously optimising product flavours and enhancing product strengths to create a perfect consumption experience for consumers. We strived to diversify consumption scenarios by offering products to be enjoyed by consumers in different occasions, while focusing on taste and convenience. The Group adhered to the value-based marketing strategies to enhance brand awareness and loyalty, while accumulating brand assets. The Group recorded a revenue of RMB9,846.8 million from the food business in 2023.

Instant Noodles Business

In 2023, as the pandemic receded, consumption witnessed steady expansion, with gradual recovery of the market demand along with more rational consumption decisions. The development of the instant noodles market underwent significant and drastic changes, mainly embodied in the shift in the consumption scenarios. However, products with good value for money continued to be the mainstream of consumption. At the same time, consumers had also been placing more emphasis on health, safety and innovation. The Group’s instant noodle business is committed to catering for the public’s needs, adheres to product quality, and significantly enhanced product strengths with continuous empowerment. At the same time, we have carried out continuous innovation for our products in response to the personalised and diversified needs of consumers. We are committed to delivering an outstanding consumer experience while creating unique value for consumers. The Group recorded a revenue of RMB9,594.3 million in 2023 from the instant noodles business.

As the pioneer and leader of nourishing soup noodles, “Soup Daren (湯達人)” stayed true to its initial inspiration and insisted on improving the products with ingenuity to give consumers the ultimate product experience. In terms of products, the Group actively expanded the sales market of the nourishing soup. The sales of “rice noodles (米線)” products under “Soup Daren (湯達人)” increased rapidly, receiving recognition from many consumers. In terms of communication, Group inherited the brand assets of “Soup Daren Genki Music Festival (湯達人元氣音樂節)”, and held the Genki Music Festival (元氣音樂節) in Orange Isle, Changsha, at which the number of people on the scene and online exposure reached record highs, which significantly improved brand awareness and reputation. In terms of channels, the Group resolutely maintained the stability of market price and the freshness of products, and improved the purchasing and usage experience of consumers.

“Uni-President Lao Tan Pickled Cabbage and Beef Noodles (統一老壇酸菜牛肉麵)” is committed to the ideology of making good noodles with our heart and insisting on price stability. In particular, Lao Tan Pickled Cabbage and Beef Noodles (老壇酸菜牛肉麵), one of the flagship products, centred around the brand slogan of “Lao Tan Pickled Cabbage and Beef Noodles, the key to choice is Uni-president Brand (老壇酸菜牛肉麵，認准統一是關鍵)” and the super IP “Grandpa Lao Tan (老壇爺爺)” to reshape the brand and as a brand privatisation asset, continuous investments were made on the IP. Product strengths are from five aspects, namely ingredients, formula, Lao Tan, processing method and patent, from which we strictly control quality, ensure significant advantages in product strength and build a differentiation barrier. In terms of communication, the Group promoted the disclosure of information, launched 24-hour continuous live broadcasts more than twice a month, and disclosed the production lines and the fermentation jar rooms on the Weibo platform to consumers. The revenue gradually recovered due to increasing trust towards and intimacy with the brand.

With the brand positioning of “Pioneer of Tomato Delicacy (番茄美味開拓者)”, “The King of Tomato (茄皇)” continued to explore the delicious taste of tomatoes. Starting from product strength, it kept managing and controlling key technological processes and managing the “3Ys” (stability, continuity and consistency) of products to continuously bring consumers a sweet, sour and sunshine healing experience. We renewed, upgraded, and introduced the brand visual symbol, which further enhanced its brand recognition and reduced the cognitive costs. The advertisements on mainstream media together with the fiery promotion of offline activities in key markets, as well as the popular brand slogan of “Xinjiang Tomato is a Treasure and You Can’t go wrong with a bowl of The King of Tomato (新疆番茄是個寶，來碗茄皇錯不了)” have greatly expanded the brand customer base and contributed to the steady growth of the brand’s revenue.

“Teng Jiao (藤嬌)” adhered to the branding of products with a focus on the development and innovation of rattan pepper-flavoured products to strengthen the fresh and spicy flavour characteristics. The carefully selected fragrant vine pepper seasoned with a variety of ingredients have brought consumers a fresh, spicy and tongue-dancing experience with its spicy and numbing, fresh and attractive taste.

With “Craving Meat? Imperial Big Meal’s For You (想吃肉，滿漢大餐)” as the core appeal, “Imperial Big Meal (滿漢大餐)” continued to improve its product to provide consumers with a high-end sense of quality and ritual. In terms of communication, with a focus on the taste of Taiwanese beef noodles, we promoted the product using a platform matrix including Douyin, Weibo, Bilibili and Xiaohongshu to strengthen the public awareness of classic flavour and large beef noodles from Taiwan.

Other Products

“Kai Xiao Zao (開小灶)” upheld the vision of becoming the social kitchen for the Chinese. As for products, the Group actively expanded into the frozen food segment to promote the Chinese culinary culture. We launched “Private Kitchen (私房菜)” and frozen fried rice series, which received positive feedback from consumers due to the outstanding products. The frozen fried rice series were awarded the Innovative Product for the Instant Food Industry in the PRC in 2022-2023 after its launch. During the Double 11 Shopping Festival in 2023, the products of “Private Kitchen (私房菜)” and frozen fried rice series secured the first place in several categories. In mid-December 2023, “Kai Xiao Zao (開小灶)” entered the Spring Festival gift box market by launching the “Private Kitchen (私房菜)” gift box, which facilitated the Group to capture the opportunities arising from the high-end gift market.

Looking ahead to 2024, the gradual recovery and revitalisation of the consumer market will bring new opportunities and challenges to the industry. The products with good value for money will continue to dominate the mainstream of consumption, while innovative products in the new era should pay more attention to health, safety and characteristics to bring emotional value to consumers. The Group adheres to a consumer-oriented approach, staying true to its original aspirations without compromising its quality. The Group will gain in-depth understanding of consumers’ preferences and needs and continue to polish products to improve quality with the aim of providing consumers with more satisfactory experiences. The Group will give full play to its own advantages to integrate healthy food ingredients into the national flavour, and carry forward the profound Chinese culinary culture to satisfy the personalised, diversified and healthy needs of consumers. The Group will establish a strong emotional connection with consumers by conveying the brand concept to consumers through products to gain emotional resonance, ultimately becoming a trusted partner of consumers.

Beverages Business

The Group adhered to the philosophy of brand building for creating brand value, and actively communicated and interacted with young consumers in depth to convey our unique brand concept. We focused on the core markets to actively expand to diversified consumption scenarios, such as dining, family and gift scenarios, etc. We actively pushed forward with the efficient expansion of terminal point-of-sale, continued to enhance sales of frozen products, empowered by digitisation, and continued to focus on product freshness management to fulfil the diversified needs of consumers through multiple channels and multiple scenarios. The beverages business recorded a revenue of RMB17,775.5 million in 2023, representing an increase of 8.4% over last year. The performance of various major beverages businesses in 2023 is set forth as follows:

Tea Business

In 2023, revenue from the tea drinks business amounted to RMB7,579.5 million, representing an increase of 9.0% over last year, which maintained a stable growth momentum. In 2023, under the themes of “expanding domestic demand (擴內需)” and “promoting consumption (促消費)”, the consumer market in China demonstrated its vitality, and encountered more new consumption opportunities and room for development. The Group’s tea drinks business closely monitored the changes in consumption trends and market trends, and was committed to providing products of higher quality and more outstanding services to meet the ever-changing needs of new channels, new scenarios and new consumer groups for drinks.

“Uni Green Tea (統一綠茶)” continued to build a brand recognised by young people across the nation in 2023 through taking “Real tea extraction (真茶萃取)” as the core benefit, and delivering the brand concept of “Uni Green Tea, providing bonus to health (統一綠茶, 為健康加酚)”. The Group adopted a core people-oriented approach, focusing on Xiaohongshu, Tencent, Cainiao Station and other popular platforms. Through the launch of sugar-free green tea, the Tencent S+-level variety show, and the public welfare activity of “Send coolness to delivery riders (為小哥清涼加酚)”, the Group strengthened the brand’s health attribute and sense of value, and created the brand image of national healthy tea. In the future, the Group will continue to expand the young drinking group through the development of low sugar and sugar-free product lines to create national tea products with good value for money.

In 2023, the product strength of “Uni Ice Tea (統一冰紅茶)” was upgraded by adding “real lemon juice (真實檸檬汁)” to enrich the taste of product, attracting and cultivating new generations of consumers with “Real lemon, true youth (真檸檬, 真青春)”. At the same time, the Group was committed to realising the brand vision of “Ice Tea for the New Generation (新世代的冰紅茶)” by communicating the emotional value with an authentic youthful attitude. In the first half of the year, the Group carried out VI visual rejuvenation by integrating differentiated selling points. In the second half of the year, we rode on the summer vacation marketing season to focus on Bilibili favoured by the Z generation to tap into the communities of ACG (二次元), and continued the user’s assets deposition of the brand in the ACG (二次元) communities to expand the brand’s exposure and influence. In 2024, “Uni Ice Tea (統一冰紅茶)” will gain insights into the pain points of the product category in response to the needs of the new generation of consumers to upgrade the product strengths by adding special black tea to strengthen the tea flavour and bring a more dominant and smooth drinking experience. The Group will create a brand marketing event of one million bottles of sampling with a focus on product upgrade in an attempt to attract new consumers and increase the frequency of drinking.

In 2023, “Uni Plum Green Tea (統一青梅綠茶)” quickly captured consumers’ attention and consolidated its market position by continuously highlighting its unique selling point of “Grade A plums (A級軟枝大粒梅)” in its promotion. We exclusively sponsored Bilibili’s graduation concert for 2023 to enhance brand awareness in target groups, leveraging on which we created the Traditional Chinese Graduation (國風畢業季) IP. At the same time, the Group cooperated with Youku S+-level Chinese style shows to expand the brand communication volume, further shaping the brand’s differentiated image of “Plum Green Tea with Chinese Taste (梅香茶爽•中國味)”. and accumulating brand assets. In 2024, the Group will continuously promote “Grade A plums (A級軟枝大粒梅)” in order to capture consumers’ attention.

In 2023, “Uni Shuangcui Lemon Tea (統一雙萃檸檬茶)” was fully renewed and upgraded to create a lemon tea that one is never tired of drinking through the innovative concept of “Double Tea Base with 7-minute Extraction (雙重茶底, 萃取7分鐘)”. From June to August 2023, the Group joined hands with Tencent TME music platform matrix to create and launch the “Double Extraction Golden Song – Tea Escort” and MV, in order to create the brand image and characteristics of Cantonese-style lemon tea with unique regional and humanistic characteristics, aiming to actively explore the market of the new young generation and rapidly enhance brand awareness and reputation.

In 2023, “Classmate Xiaoming (小茗同學)” continued to focus on the group of students, with the core concept of “Only Real Tea Tastes Good (真茶才夠香)”, to attract and cultivate the younger generation of students by taking advantage of the ACG culture. The Group focused resources and commenced in-depth cooperation with Bilibili, an ACG platform, and leveraged the popular Chinese comics IP “Link Click (時光代理人)” as an opportunity to enter into the hearts and minds of the ACG group by attracting the attention of comics fans in order to reach out to the target groups.

With the core appeal of “a sweet taste came after just like it’s freshly brewed (回甘就像現泡)”, “Chai Li Won (茶裏王)” has continued to improve its products and is committed to providing consumers with a sense of quality and experience of good tea. In 2023, we continued to optimise product strength and made innovative breakthroughs in tea-making process. The first fresh leaf juice was used in the green tea category to further strengthen product characteristics, enhance freshness and deliver a good tea taste with “a sweet taste came after just like it’s freshly brewed (回甘就像現泡)”. In 2024, “Chai Li Won (茶裏王)” will cooperate with the heir to endorse the brand from a professional and authoritative perspective. In terms of communication, we will integrate the customs of tea areas, tea-making techniques, and the brand story of “the three steps of selection, production and taste (一選、二作、三品)” to enable consumers to experience the process of good tea-making in all aspects, and convey the brand’s attitude of dedication to making good tea.

In the post-pandemic era, the health awareness of the general public has increased significantly. In 2023, the Group actively responded to the needs of target consumers by continuously upgrading its products and strengthening the health attributes of its products to enhance consumers’ purchasing incentive, thereby driving the performance growth. At the same time, the Group actively developed the sugar-free market to meet the diversified needs of different people for tea drinks. Looking ahead to 2024, the Group’s brands of tea drinks will continue to strengthen their product strengths and carefully polish products that meet the needs of the public and the era. Meanwhile, the Group will further expand its presence in multiple scenarios by enhancing development and resources investments in family, catering, O2O and other channels. While maintaining sales growth and improving resilience, the Group will actively capture market trends, and discover and embrace new opportunities.

Juice

In 2023, revenue from the juice business of the Group amounted to a total of RMB3,404.2 million, representing an increase of 13.3% over last year and accounting for 19.2% of beverage revenue, a seven-year high. Always adhering to the idea of providing tasty and healthy juice to consumers, the juice business continued to optimise product flavours and benefits. We concentrated our business strategy on diversifying specifications and scenarios to cater for the mass taste. On the premise of steady operation in the ready-to-drink scenario, the Group deepened the expansion of the dining scenario and accelerated the development of gift box scenario and family scenario, so as to rapidly expand the juice market share.

“Uni Orangeate (統一鮮橙多)” continued to deliver the orange juice image of “More Fiber (多纖)” and “More Vitamin C (多C)”. In the ready-to-drink and family scenarios, the Group highlighted the visual image of “Fiber (纖)” on the product packaging, together with outdoor media campaigns, to continuously reinforce the benefits of products with rich dietary fibre. In terms of the dining scenario, we continued to increase the number of points of sale of canned products, in conjunction with promotion through social media platforms, to reinforce Orangeate’s image of being the “go-to beverage”. With respect to the gift box scenario, we launched gift boxes of different specifications to meet the pricing needs of different markets, while focusing on the media campaigns in rural and county markets to strengthen consumers’ awareness of the attributes of Uni Orangeate as gifts.

“Haizhiyan (海之言)” grasped the trend in the post-pandemic era to accurately position the category of electrolyte drinks. In 2023, the revenue growth rate and the compound annual growth rates of revenue for the past three years achieved high double-digit growth. In 2024, we will continue to focus on the promotion of “Drink Haizhiyan after sweating (流汗就喝海之言)” to accumulate brand assets, and take “containing potassium ions, sodium ions, etc., with refreshing juice, which tastes fresh and helps you rehydrate and replenish electrolyte loss (含有鉀離子、鈉離子等，搭配清爽果汁，口感清新，幫你補充流失的水分和電解質)” as the basis to continue to communicate with consumers, emphasise the consumption reasons and capture consumers’ attention. Meanwhile, we actively deployed the electrolyte drinks market and expanded different drinking scenarios to create a new driver for growth.

“Uni Guo Yang (統一果漾)” continued to build up the brand image of “Outstanding with Sweet and Sourness (酸甜出味)” and provided consumers with a wide variety of product flavours to choose from in response to market demand. In 2023, a new flavour “Uni Sweet-sour Plum Juice (統一酸梅湯)” was launched, inheriting the ancient techniques for re-innovation to make plum juice not only sweet and sour, but also more refreshing and non-greasy, which became a new driver for incremental growth due to its excellent market performance since its launch. Meanwhile, in 2023, the Group continued to cobrand with the popular IP “Heaven Official’s Blessing (天官賜福)” comics. Through a variety of bottle marketing, the brand conveyed the brand value of “Becoming More Outstanding with Sweet and Sourness (酸酸甜甜更出味)” and “Becoming More Outstanding with Refresh and Sourness (酸酸爽爽更出味)”, so as to cultivate the new generation of consumers and consolidate the loyal consumers. The Group captured the selling opportunities in various scenarios offline and expanded the sales in e-commerce and O2O platforms online. The diversified sales channel penetration and marketing strategies continuously improved the brand awareness and reputation.

With the key appeal of “Moisten and Soothe Your Heart (一口潤心扉)”, “Uni Crystal Sugar Pear Drink (統一冰糖雪梨)” conveyed its core value of “Moist (潤)”. In 2023, we continued to enhance product quality, optimise packaging vision and flavour, and highlighted the visual presentation of “Moist (潤)” through the expression of different scenarios in order to attract the attention and love of young consumers.

“Vitality Awakening (元氣覺醒)” delivered the brand slogan of “Vitality is awakened every day by the freshness and sweetness of naturally fully-ripened fruits (自然完熟才清甜，元氣覺醒天天見)”, promoted positive energy and conveyed the brand identity of “Full of vitality and awakening new power (元氣滿滿、覺醒新力量)”. We carefully and strictly selected naturally fully-ripened fruits and vegetables and completely replicated the freshness and sweetness of naturally fully ripened fruits and vegetables. In terms of channels, we continued to focus on cultivating 100% juice market in key first-tier cities by developing the contemporary system and e-commerce platforms. We rode on the trend to expand online platforms such as O2O and groceries delivery services, launched gift boxes to meet the traditional needs of festive gift-giving, and fully captured the opportunities of family consumption. Vitality Awakening 100% fruit (vegetable) juice was in response to consumers’ demand for healthy life, actively creating new growth driver for the juice business.

In 2024, the Group’s juice business will continue to ride on the changes in consumption demand and market trend. We will insist on the core value of our juice products’ health benefits, seize the definite growth opportunity from the existing products, and quickly turn them into mass products in multiple specifications and scenarios. At the same time, the Group will actively explore new opportunities for product category and accelerate the launch of upgraded product series with better taste and health benefits, so as to facilitate the Group to continue to expand its market share in the juice market.

Milk Tea

In 2023, the milk tea business of the Group generated revenue of RMB6,305.2 million, representing an increase of 5.0% over last year. As a leading brand in the market, “Uni Assam Milk Tea (統一阿薩姆奶茶)” has always insisted on putting products first and managing the freshness well to bring consumers the best drinking experience. The business empowerment boosted the mood of more third and fourth tier consumers with smooth and tasty Assam Milk Tea anytime and anywhere. In 2023, in response to the market trend, we launched a new product “CITEA milk tea (希蒂牛乳茶)” to continuously improve the milk tea brand matrix and to challenge and defend ourselves.

“Uni Assam Milk Tea (統一阿薩姆奶茶)” continued to explore new opportunities in the drinking scenario and introduced new flavours to meet consumer needs in line with the times. The Group launched cans and tetra packs in 2023 to capitalise on the gift box sales opportunity, while continuously promoting large packs and small but beautiful products. With respect to product strength, Fruit Milk Tea was popular among young people for its differentiated flavours and has become a new growth point for revenue. In terms of communication, we centred on the brand’s core value of “Smooth and Good Mood (順滑好心情)”. During the Spring Festival, it focused on the drinking scenario of the reunion and conveyed the brand’s new year appeal of “Happy New Year (順年大歡喜)”. Through our exclusive title sponsorship of the variety show “Friends Together (是好朋友의週末)”, Assam milk tea was embedded in various scenarios of young consumers’ lives, enhancing the connection between Assam milk tea and good mood. The continuous and effective communication with target consumers proved to be conducive to brand rejuvenation.

The Group continued to identify market opportunities and launched “CITEA milk tea (希蒂牛乳茶)” in the fourth quarter of 2023 to provide young people with “sweet but not greasy, flavourful and aromatic” milk tea products, in a hope to become a new choice for the younger generation of consumers. In terms of product, “CITEA milk tea (希蒂牛乳茶)” uses an innovative slow-boiling technique and carefully selects the original leaves of Da Hong Pao and High Mountain Black Tea for slow-boiling of 12 minutes, which stimulates the attractive roasted and floral aroma, while adding imported milk to deliver thick, mellow, rich and full-flavored taste. On the communication side, “CITEA milk tea (希蒂牛乳茶)” is committed to delivering the brand concept of “the companion of slow life in the city”, hoping that young people can slow down the pace in busy schedules and enjoy a 5-minute slow life anytime, anywhere.

Coffee

In 2023, the coffee business continued to focus on the “A-Ha (雅哈)” brand strategy by optimising its product portfolio and actively exploring new markets. It actively tried to extend its products in line with consumer trends, in order to provide the new generation of consumers with a wider variety of flavour choices. In terms of product, the new flavour of Raw Coconut Latte was well received by the new generation of consumers and has initially established a certain market base. Regarding communication, consumer participation in the integrated marketing campaign has far exceeded expectations. Coupled with the outdoor media advertisements in key cities, the brand appeal of “Getting Started with Vitality! (活力出發)” has been effectively accumulated. On the operation front, the Group focused on enhancing the channel penetration of “A-Ha (雅哈)”. Focusing on key cities, we have advanced the operations in potential markets and achieved initial results.

In 2024, the coffee business will continue to promote the “A-Ha (雅哈)” brand and focus on expanding its base. On the product side, we will serve the secondary market of iced coffee through a two-wheel drive, and strive to cultivate consumers of Raw Coconut Latte. In terms of communication, we will continue to focus on key cities, and arrange theme marketing campaigns, elevator media and other outdoor advertisements to precisely reach out to the target group and continue to expand the brand’s customer base.

Bottled Water

The water business of the Group focused on the operation of “ALKAQUA (愛誇)” natural mineral water. In 2023, the brand of ALKAQUA was upgraded strategically, and was aware of the prevailing consumer sentiment of anti-involution and anti-anxiety in pursuit for a simple life. The brand integrated the natural characteristics “simple (簡單)” of ALKAQUA: transparent bottle body, quality water source and minimalist blue label design. We communicated emotionally with consumers through our brand proposition of “Just keep it simple, ALKAQUA (愛誇礦泉, 簡單就好)” to advocate for a simpler lifestyle. Family scenario has become a major focus for drinking water sales due to ever-changing purchasing patterns of consumers. In line with this trend, ALKAQUA launched a 5L water barrel in December 2023. The product will focus on the e-commerce channel, aiming to open up the family drinking water market at an extremely cost-effective price, making it a new growth point for the brand.

In 2024, ALKAQUA will continue to cultivate the Shanghai market, focusing on communication with four highly “involuting (內卷)” groups of people, including gold-collar workers in the workplace, sophisticated mothers, students and their families and practitioners as well as urban couples, in order to continue to cultivate the momentum of revenue growth. We will strengthen channels construction in line with the radius of people’s lives and work, focus on core locations to create a strong area and follow the trend of online consumption to create a market for the family drinking scenario in order to make a new breakthrough in growth.

Bottle Can Drinks

The Group continued to use bottle cans as an effective vehicle to expand beverage choices and gained further insights into consumer needs in an effort to satisfy a wider market. “Keep Sweet (恬蜜光年)” took the Cantonese dessert “Mango & Pomelo Sweet Soup (楊枝甘露)” as its classic flavour, and selected the raw materials through the technological craftsmanship of the bottle cans. The Group continued to develop its e-commerce platform, and formed a closed-loop management of sales and promotion through short videos and the recommendation of influencers in a continuous effort towards the combination of quality and effectiveness.

In addition, given the changes in lifestyles of young consumers and demands of the new era, the scale of consumer market for all kinds of ready-to-drink wine have undergone gradual growth in recent years. In 2023, in response to the new consumption trends of young people, we launched four types of flavoured 8-degree sparkling wine under the brand name of “Uni-Wonder”, which was based on the classic cocktail style, with refreshing bubbles and unique flavours, creating a relaxing drinking moment in leisure life.

Under the development of diversified channels, in order to meet the ever-changing consumer demand for ready-to-drink beverages and in response to the increasing market popularity in the club store system, the Group’s premium coffee brand “MANYA (縵雅)” newly launched CAFÉ Au Lait (歐蕾) with the perfect combination of tea + coffee. Such innovative product was exclusively launched in the Sam’s system to satisfy the needs of different consumer groups.

E-commerce

The Group's online business is committed to enriching customers' purchasing channels and creating a convenient, safe and efficient business model that continuously brings more convenience to consumers. While maintaining the traditional e-commerce business foundation, in 2023, we explored two major business models: deepening the O2O new e-commerce represented by Meituan Grocery (美團買菜), and meeting most consumers' demand for "purchasing high-quality products instantly and affordably (即時又實惠地買到好東西)"; furthermore, we have strategically deployed our resources into the field of universal interest-based e-commerce, which is represented by platforms like Douyin Shop (抖音商城) and Pinduoduo (拼多多). We have also set up three themed livestreaming rooms to meet the emerging demand of most users for "cost-effectiveness (性價比)". We are committed to providing more emotional value while creating new promotional platforms for various brands within the Group.

RESEARCH AND DEVELOPMENT

As 2023 was the first year of the post pandemic era in the consumer market, various market players planned to innovate, which resulted in increasingly fierce market competition. The Group's business research institute adhered to the philosophy of satisfying consumer needs and insisted on value innovation. On the one hand, it continued to empower its featured products by securing supply; on the other hand, it captured the trend, grasped the competitive landscape of the industry, and developed new products to facilitate steady growth of the Company's revenue.

In order to continuously build up an advantageous technological barrier, the Group has made the establishment of core patented technologies as one of its regular and important tasks. As of December 2023, the Group's research and development has accumulated 164 licensed patents and 48 patents under applications, continuously building competitive barriers.

Continuously Empowering Featured Products

The Group's top priority in research and development throughout 2023 was to empower the existing featured products, focusing on major flavours of billion level. The Group maintained its competitiveness in the market by continuously refining its product strengths with the spirit of "attaining knowledge by investigation of things" to bring better consumption experience to consumers.

"Uni Assam Milk Tea (統一阿薩姆奶茶)" promotes all-around product quality improvement through front-end management of tea raw material quality, refined control of production process, and sound finished product monitoring and control standards. In 2023, the new flavours of White Peach Guanyin (白桃觀音) and Green Grape Jasmine (青提茉莉) further satisfied the diversified needs of consumers' tastes. In addition, in order to open up the family consumption scenario, Assam Milk Tea products were developed and launched in small and beautiful gift boxes in response to the consumption trend.

“Uni Green Tea (統一綠茶)” establishes a monitoring system and standards covering from the source to the finished product to ensure stable product quality. On the raw material side, the Group’s plant management system with two-tier upward traceability has completed the supplier assessment of more than 20 tea processing factories. In terms of craftsmanship, each batch of production process data is monitored and controlled to ensure the consistency and stability of the product quality of each production plant. In response to consumers’ demand for sugar-free products, we have timely launched sugar-free green tea.

With the increase in consumer health awareness after the pandemic, the market share of electrolyte drinks has increased rapidly. The Group’s business research institute, in cooperation with industry associations, actively participated in the formulation of national electrolyte drink standards, thereby contributing to the development of electrolyte drinks in China. “Haizhiyan (海之言)” grasped the trend of electrolyte drinks and developed a new “isotonic (等滲)” version of electrolyte drinks.

“Uni-President Lao Tan Pickled Cabbage and Beef Noodles (統一老壇酸菜牛肉麵)” has strengthened the monitoring and control of the source of pickled cabbage to ensure that each batch of raw materials meets the quality requirements of food safety and flavour. It has continued to optimise and refine the traditional fermentation craftsmanship and strengthened the fermentation craftsmanship of Lao Tan Pickled Cabbage to provide consumers with authentic fermented flavour, which in turn enhances the sour characteristics of the product to keep it more abreast with the appeal of sourness.

Through the establishment of safety fence technology for tomato products and the continuous optimisation of production craftsmanship, “The King of Tomato (茄皇)” has constructed product technology barriers to achieve a balance between safety and deliciousness. The new product “Tomato Bolognese Instant Pasta of The King of Tomato (茄皇意式番茄肉醬拌麵)” is a replication of the Italian classic, which has been well received by the young consumer group. By leveraging on the advantages of raw materials of tomato from the Xinjiang factory, and ensuring the stable supply and quality of raw materials of tomato, “The King of Tomato (茄皇)” will become a popular tomato-flavoured gourmet with good value for money among the young consumer group.

Active New Product (Category) Deployment

Leveraging on the development trend of street beverage store products, “CITEA milk tea (希蒂牛乳茶)” was launched in 2023, with two flavours of Da Hong Pao and Rose. Through differentiated positioning, the tea base is made of real milk, simmered with original tea leaves. The comprehensive upgrade of craftsmanship stimulates unique roasted and floral aroma, delivering a rich and non-greasy texture and replicating the original flavour of the milk tea. “CITEA milk tea (希蒂牛乳茶)” understands the new generation of young people better, and has become their companion in casual slow life.

The brand name “Uni Shuangcui Lemon Tea (統一雙萃檸檬茶)” comes from the double extraction of selected tea base from black tea + oolong tea. The Ya Shi Xiang (鴨屎香) is highly recommended, with the flavour positioning at the authentic Cantonese lemon tea. The two kinds of tea base, together with fragrant lemon juice, delivers moderately sweet and sour and tea flavour that is never tired of drinking. The product is characterised by a sense of cultural identity with the Cantonese style, and provides consumers with a refreshing and non-greasy drinking experience.

“In Love With Tomato (愛尚番茄)” 100% NFC tomato juice is a type of tasty tomato juice, which was newly launched in January 2024. A bottle of “In Love With Tomato (愛尚番茄)” consists of juice from about 24 cherry tomatoes. In order to optimise the taste, we carefully select 100% NFC tomato juice from different latitudes, production areas, seasons, across distances and time in China and accurately proportion it to obtain the golden sugar-acid ratio and texture. It is sweet but not greasy, and adopts NFC non-concentrated reduction process to present a strong tomato aroma and freshness.

Konjac, a functional ingredient with rich dietary fibre, low calorie and satiety, has been recognised by the public and is in line with the trend of casual snacks development. “Little Raccoon High Fiber Konjac (小浣熊高纖魔芋)” enters the new consumption scenario of casual snacks. It is made with a secret recipe, with a chewy texture and a spicy and refreshing taste. The product is rich in dietary fibre, which helps maintain normal intestinal function, striking a balance between casual snacks and health.

Due to the continuous expansion of the family scenario, which is one of the new consumption scenarios, pre-cooked cuisine has been considered as a convenient, fast and tasty choice, and has gradually been favoured by consumers at homes. In response to this trend, the Group has launched the “Kai Xiao Zao Private Kitchen (開小灶私房菜)” series. With the chef’s skill, the world’s delicacies are supplemented with humanistic flavours for consumers to enjoy at their tables. The core ingredients of the products are frozen under -30°C to maintain the colour, aroma, taste and shape, which are nutritious, delicious and highly restored as if they were freshly cooked.

Building Core Technologies and Collaborative Innovation

To ensure our long-term competitiveness, the Group’s business research institute has continued to build moat for its technologies. In 2023, it continued to work on more than 10 core technology projects through internal and external collaborative innovation and independent innovation, in which, the research on tea roasting and aroma-keeping technique was successfully applied to sugar-free beverage products such as “Chai Li Won Raw Green Tea (茶裏王生榨綠茶)” and “Uni Sugar-Free Green Tea (統一無糖綠茶)”, and the moulding processing technique of konjac products was successfully applied to “Little Raccoon High Fiber Konjac (小浣熊高纖魔芋)”. In addition, by leveraging on the resources of domestic and overseas research and development centres of strategic manufacturers and professional research and development consultants, we have rapidly developed and launched new products such as “Kai Xiao Zao Private Kitchen (開小灶私房菜)” series and “CITEA milk tea (希蒂牛乳茶)” series through collaborative innovation.

Promoting Digitalisation of Research and Development

In order to ensure more effective management of research and development intellectual property, the research and development digital management system was launched in 2023, optimising the digital management of research and development projects from initially partial process to currently full process of digital management, which effectively improved the efficiency of research and development and facilitated the inheritance of research and development intelligence.

With respect to consumer research, through the alliance with Tmall new product innovation centre and the use of Alibaba's big data model, we have realised a research method that integrates "big data + small samples", which empowers product innovation, quickly understands the market dynamics, accurately reaches out to the target consumers, and enables consumers to participate in the research and development process, so as to achieve joint creation and use with consumers.

Looking forward to 2024, the Group's business research institute will continue to build moat for its product strengths with continuous innovation and progress to satisfy consumers' needs and create products with good value for money for consumers.

INSISTING ON FOOD SAFETY

We uphold the philosophy of "Three Goods and One Fairness (三好一公道)", i.e. Good Quality, Good Credit, Good Service and Fair Price (品質好、信用好、服務好、價格公道), and with the mission of producing products that consumers will "be comfortable and happy to eat (吃得安心、吃得開心)", we offer safe, healthy and delicious food to consumers. We have set up the Food Safety and Quality Committee with our General Manager as its Director. The Committee serves as the organisation with supreme power to design and optimise the food safety and quality assurance system. The members of the Food Safety and Quality Committee cover all relevant departments including the business research institute, procurement resources management office, the production management group, food safety and management office, etc. The Committee holds meetings periodically to discuss food safety and quality assurance management issues. Besides, we have set up the Food Safety and Management Office as the food safety and quality assurance management department to establish a food safety and quality assurance system, implement and put in place policies, deepen food safety risk assessment, provide warning and monitoring, etc.

We have established three lines of defence for food safety, namely, qualification review, field assessment, and food safety testing. By managing suppliers' food safety from multiple perspectives, we have effectively controlled the food safety risk brought by suppliers and ensured food safety of suppliers.

We adhere to three controls to ensure quality and prevent abnormality in quality: quality control on product development and design, quality control of production process, and quality control of the finished products. Our products strictly abide by relevant laws and regulations such as the Food Safety Law of the People's Republic of China. Besides, the food safety of all products are strictly monitored to ensure they comply with laws and regulations and are "comfortable and happy to eat (吃得安心、吃得開心)".

The Group's Food Safety and Management Office has set up a Food Safety Testing Centre to provide strong support for food safety risk control. Since 2005, the Centre has passed the annual China National Accreditation Service for Conformity Assessment (CNAS accreditation). As of 2023, 173 projects of the Group have been approved. Meanwhile, the Group has a number of national patents for utility models and more than 700 perennial independent testing projects. The scope of assessment on the Group's food safety projects covers drinks, food, water, additives, grain and oil, and packaging materials.

The Group's plants have established a complete food safety management system according to ISO 22000, FSSC 22000 and Hazard Analysis Critical Control Point (HACCP). As of 2023, 26 subsidiaries of the Group were accredited with the ISO 22000 International Standard Food Safety Management System Certification, one with the FSSC 22000 certification, and six with the HACCP certification.

PRODUCTION STRATEGIES

The Group spared no effort in its operation, and in research and development and innovation of its products, aiming to meet different customer needs. In order to strike a balance between the supply chain risk brought by the pandemic and the transportation cost, and to achieve synergistic effects in production efficiency and operational support, the Group did not solely rely on its own production resources, but also outsourced its production to other professional beverages manufacturers (including external independent third parties and related-party companies). A strategic alliance was formed under long-term co-operation with the external manufacturers, enabling the Group to outsource production 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 2023 (the "Year"), the Group recorded revenue of RMB28,591.3 million, representing an increase of 1.2% from RMB28,257.4 million for 2022. Revenue from the food business amounted to RMB9,846.8 million, representing a decrease of 10.6% as compared with the corresponding period of last year, which accounted for 34.4% of the Group's total revenue, and revenue from the beverages business amounted to RMB17,775.5 million, representing an increase of 8.4% as compared with the corresponding period of last year, which accounted for 62.2% of the Group's total revenue. During the Year, gross profit of the Group increased from RMB8,187.9 million for the corresponding period of last year to RMB8,711.7 million, representing an increase of 6.4%, while the gross profit margin increased by 1.5 percentage points from 29.0% for the corresponding period of last year to 30.5%, which was mainly due to the decrease in the cost of certain raw materials and the optimisation of product mix.

During the Year, the selling and marketing expenses increased by approximately RMB391.3 million to RMB6,277.9 million (2022: RMB5,886.6 million) as compared with the corresponding period of last year. The increase in selling and marketing expenses was mainly due to the year-on-year increase in the scale of brand building, the depreciation of marketing assets and the remuneration for sales representatives. During the Year, administrative expenses amounted to RMB1,065.9 million (2022: RMB1,041.0 million), representing a slight increase of approximately RMB24.9 million as compared with the corresponding period of last year, which was mainly attributable to increase in employee remuneration and travelling expenses.

The operating profit was RMB1,996.5 million for the Year (2022: RMB1,495.8 million), representing an increase of 33.5% as compared to the corresponding period of last year. The increase was mainly attributable to the one-off gain from the disposal of land use right of a piece of land located in Hefei, the PRC of RMB351.4 million and the growth in operating profit of core businesses. The share of profits of investments accounted for using the equity method amounted to RMB49.9 million (2022: RMB26.1 million) during the Year, which was mainly due to the increase in income from investments in associates. Profit attributable to equity holders of the Company for the Year was RMB1,667.1 million (2022: RMB1,222.2 million), representing an increase of 36.4% as compared to the corresponding period of last year. Earnings per share during the Year were RMB38.60 cents (2022: RMB28.30 cents).

FINANCIAL ANALYSIS

Cash and Borrowings

As at 31 December 2023, the Group had cash at bank and on hand of RMB7,565.5 million (31 December 2022: RMB6,654.2 million), among which 99.90% was denominated in Renminbi, 0.05% was denominated in Hong Kong dollar, 0.03% was denominated in New Taiwan dollar, and 0.02% was denominated in United States dollar. The Group mainly financed its operation and capital expenditures with internally generated cash flow. As at 31 December 2023, the Group's total financial liabilities amounted to RMB1,079.4 million (31 December 2022: RMB869.5 million), representing an increase of 24.1% as compared to the corresponding period of last year, which was mainly attributable to the increase in short-term borrowings. The short-term working capital was relatively sufficient to repay bank borrowings. 100% of borrowings under the Group's total financial liabilities was denominated in Renminbi. As at 31 December 2023, all of the Group's financial liabilities bore floating interest rates. As at 31 December 2023, the Group did not have any secured bank borrowing (31 December 2022: Nil).

Financing

The Group aims to maintain an appropriate capital structure. The gearing ratios of the Group as at 31 December 2023 and 31 December 2022 were as follows:

	2023	2022
	RMB'000	RMB'000
Total borrowings (including lease liabilities)	1,079,435	869,496
Less: cash at bank and on hand (<i>Note 1</i>)	(7,565,454)	(6,654,208)
Net cash	(6,486,019)	(5,784,712)
Total equity	13,382,377	13,181,353
Gearing ratio (<i>Note 2</i>)	(48.47%)	(43.89%)

Note 1: As at 31 December 2023, cash at bank and on hand excluded the Group's purchase of financial products issued by four big domestic banks and other commercial banks. As at 31 December 2023, the Group had financial assets at fair value through profit or loss of RMB1,618.7 million (31 December 2022: RMB1,018.5 million).

Note 2: The gearing ratio is computed as net cash divided by total equity.

The Group reviewed its gearing ratio on a monthly 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 2023, the Group recorded a year-on-year net increase in cash and cash equivalents of RMB823.5 million, mainly comprising net cash inflow from operating activities of RMB3,053.5 million, net cash outflow from investing activities of RMB947.0 million and net cash outflow from financing activities of RMB1,282.5 million. The Group's capital expenditure (including lease right-of-use assets) for the Year was RMB1,078.8 million (31 December 2022: RMB545.9 million), which was mainly due to investments in marketing assets for sales channels and investments for replacement of outdated facilities with new ones and for re-development.

Analysis of Operating Efficiency

The Group stringently controls and manages the levels of trade receivables, trade payables and inventories. Sales to most customers are made on a delivery on payment basis. Trade receivables are generated from credit sales to credit customers from modern channels and e-commerce business (including but not limited to food and groceries stores, stalls and department stores) with credit terms normally ranging from 60 to 90 days. During the Year, net trade receivables decreased by RMB234.1 million to RMB585.8 million (31 December 2022: RMB819.9 million). The decrease in net trade receivables was mainly due to the delay in product preparation for Chinese New Year subsequently as a result of Chinese New Year for the Year being later than the previous year while product preparation for Chinese New Year last year was moved up to December 2022 and the increase in the aforesaid products preparation by customers led to an increase in sales.

The Group's inventories mainly comprised raw materials, packaging materials, finished goods and low-value consumables. As at 31 December 2023, the inventories balance decreased by RMB396.6 million to RMB2,125.9 million (31 December 2022: RMB2,522.5 million) as compared to the beginning of the Year, which was attributable to the delay in the products preparation for the Chinese New Year as compared to the same period last year. The inventories turnover days decreased by two days as compared with that of 2022. The Group's trade payables mainly arise from credit purchases of raw materials and finished goods. During the Year, trade payables decreased by RMB552.4 million to RMB2,122.6 million (31 December 2022: RMB2,675.0 million). The decrease in trade payables was mainly due to the delay in product preparation for Chinese New Year as a result of Chinese New Year being later than last year. The following table sets out the major turnover days for the past two years ended 31 December.

	Year ended 31 December	
	2023	2022
Trade receivables turnover days	9	9
Inventory turnover days	42	44
Trade payables turnover days	43	43

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

Inventory turnover days were 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 the number of days in the year.

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

The Group reckoned that trade receivables turnover days, inventory turnover days and trade payables 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 further improve its revenue, profit and the ability of on-going growth for the sake of enhancing operational efficiency.

Financial Management

The Group adheres to the principle of financial prudence. It seeks to control risk variables and moves forward prudently by moderately adjusting its selling and marketing expenses according to market conditions, and making appropriate capital expenditures to optimise and expand the infrastructure and marketing assets for sales channels. The Group's finance department has formulated financial risk management policies based on the policies and procedures approved by the Board and guided by the executive Directors. These policies are reviewed by the Group's internal audit department and internal control department regularly. The Group's financial policy aims at reducing impacts 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 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 2023, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023.

CHARGES ON GROUP ASSETS

The Group did not have any charge on group assets as at 31 December 2023.

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 for any material investment or to acquire 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 2023, the total number of employees of the Group was 33,539. 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 exchange and 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 of the employees.

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 RMB4,474.7 million (2022: RMB4,324.3 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 2023 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 RMB42.45 cents per share of the Company for the Year (the “Proposed Final Dividends”), amounting to a total dividend of approximately RMB1,833.8 million. The Proposed Final Dividends shall be declared in RMB and paid in Hong Kong dollars. The actual amount of dividend payable in Hong Kong dollars will be calculated based on the average central parity rate of RMB against Hong Kong dollars as published by the People’s Bank of China for the five business days in Hong Kong immediately preceding the date of the forthcoming annual general meeting of the Company (the “Annual General Meeting”).

The Proposed Final Dividend, subject to the approval of shareholders of the Company (the “Shareholders”) at the Annual General Meeting to be held on or around Friday, 31 May 2024, will be paid on or around Wednesday, 19 June 2024 to Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

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 Part 2 of Appendix C1 (formerly known as Appendix 14) to the Rules Governing the Listing of Securities on the Stock Exchange during the Year.

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

There were no significant events after the reporting period of the Group.

RE-ELECTION OF DIRECTORS

In accordance with Article 130 of the articles of association of the Company (the “Articles of Association”), each of Mr. Su Tsung-Ming, Mr. Chen Sun-Te and Mr. Chen Johnny, will retire by rotation at the forthcoming Annual General Meeting. Mr. Su Tsung-Ming will not offer himself for re-election due to his plan for retirement and he will retire from his office as a non-executive Director from the conclusion of the Annual General Meeting. Each of Mr. Chen Sun-Te and Mr. Chen Johnny being eligible, will offer himself for re-election at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 May 2024 to Friday, 31 May 2024 (both days inclusive) in order to determine the entitlement of the Shareholders to attend the Annual General Meeting, during which period no transfer of the Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2024.

Subject to the Shareholders' approval of the declaration of the final dividend at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 6 June 2024 to Tuesday, 11 June 2024 (both days inclusive) in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no transfer of the Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 5 June 2024.

Subject to the approval of the Shareholders at the Annual General Meeting, the final dividend will be paid on or around Wednesday, 19 June 2024 to Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

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 2022 or 2023 but is derived from those financial statements. The 2023 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.

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

6 March 2024

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, Ms. Chien Chi Lin and Mr. Su Tsung-Ming as non-executive directors; and Mr. Chen Sun-Te, Mr. Chen Johnny, Dr. Fan Ren-Da, Anthony and Mr. Lo Peter as independent non-executive directors.