

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **CHINA MENGNIU DAIRY COMPANY LIMITED**

**中國蒙牛乳業有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2319)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **HIGHLIGHTS**

- During the year, the Group had successfully overcome the challenges the COVID-19 Epidemic (the “Epidemic”) brought. By grasping market opportunities as the Epidemic eased, it was able to drive high quality growth of its business. For the year ended 31 December 2020, the revenue of the Group amounted to RMB76,034.8 million (2019: RMB79,029.9 million), representing a year-on-year decrease of 3.8%. Excluding the revenue of Shijiazhuang Junlebao Dairy Co., Ltd. (“Junlebao”), which was disposed of in 2019, and of Bellamy’s Australia Limited (“Bellamy’s”), which was acquired in 2019, the revenue of Comparable Businesses (the “Comparable Businesses” in this announcement excludes Junlebao and Bellamy’s) of the Group for the year amounted to RMB75,003.1 million (2019: RMB67,817.3 million), representing a year-on-year increase of 10.6%.
- Profit attributable to owners of the Company amounted to RMB3,525.0 million (2019: RMB4,105.4 million), representing a year-on-year decrease of 14.1%. The decline in profit was mainly due to the following actions taken in the first quarter of 2020: (i) the Group had incurred additional expenses on epidemic prevention to safeguard the health and safety of its employees, and to ensure the resumption of work and production; (ii) the Group had incurred additional marketing and sales expenses to reduce inventories in its distribution channels in order to accelerate the resumption of normal sales, and (iii) the Group had actively fulfilled its corporate social responsibilities and had made cash and dairy product donations to more than 10,000 hospitals and relevant epidemic control organizations.

\* For identification purposes only

- Despite facing dire challenges of the Epidemic, Mengniu managed to resume operation and production quickly, and actively developed new retail channels, including e-commerce platforms, O2O home delivery service, community group purchase and WeChat social groups, to speed up integration of on- and off-line sales networks. As such, the Group's business started to see a strong rebound in the second quarter of 2020.
- To maintain the healthy and sustainable development of its industrial chain, Mengniu accepted from ranchers all fresh raw milk that passed quality checks during the Epidemic and strengthened cooperation with upstream and downstream business partners. The Group also donated money and products to frontline healthcare and medical personnel helping the fight against the Epidemic. Dairy products were sent to major healthcare institutions in Wuhan and across China. As a result, the good reputation of Mengniu brand improved notably.
- During the year, Mengniu moved up two places to the eighth place on the "Global Dairy Top 20" list. In addition, it was selected as a constituent stock in the Hang Seng Corporate Sustainability Index ("HSSUS"). It is the only Chinese food producer in the HSSUS.

The board (the “Board”) of directors (the “Directors”) of China Mengniu Dairy Company Limited (the “Company”) is pleased to present the results of the Company and its subsidiaries (the “Group” or “Mengniu”) for the year ended 31 December 2020, together with the comparative amounts.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>76,034,844</b>	79,029,856
Cost of sales		<u>(47,405,564)</u>	<u>(49,351,242)</u>
<b>GROSS PROFIT</b>		<b>28,629,280</b>	29,678,614
Other income and gains	4	<b>1,204,786</b>	4,100,888
Selling and distribution expenses		<b>(21,540,925)</b>	(21,536,054)
Administrative expenses		<b>(3,132,947)</b>	(3,319,414)
Impairment losses on financial and contract assets, net		<b>(156,876)</b>	(248,355)
Loss on disposal of financial assets measured at amortised cost		<b>(22,385)</b>	(14,008)
Other expenses	5	<b>(1,764,510)</b>	(3,691,877)
Interest income		<b>1,084,613</b>	1,104,791
Finance costs	7	<b>(572,255)</b>	(644,202)
Share of profits and losses of:			
A joint venture		<b>(37,413)</b>	(9,160)
Associates		<b>463,418</b>	184,224
<b>PROFIT BEFORE TAX</b>	6	<b>4,154,786</b>	5,605,447
Income tax expense	8	<b>(653,193)</b>	(1,309,532)
<b>PROFIT FOR THE YEAR</b>		<b>3,501,593</b>	4,295,915
Attributable to:			
Owners of the Company		<b>3,525,044</b>	4,105,437
Non-controlling interests		<b>(23,451)</b>	190,478
		<b>3,501,593</b>	4,295,915
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (EXPRESSED IN RMB PER SHARE)</b>			
Basic	10	<b>0.897</b>	1.049
Diluted		<b>0.892</b>	1.046

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2020*

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>3,501,593</b>	4,295,915
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	392,078	184,390
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(56,058)	(18,423)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	(10,814)	—
	(66,872)	(18,423)
Share of other comprehensive income of associates	10,666	4,832
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>335,872</b>	170,799
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	246,072	—
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	101,289	(3,191)
	347,361	(3,191)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>683,233</b>	167,608
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4,184,826</b>	4,463,523
Attributable to:		
Owners of the Company	4,243,176	4,251,525
Non-controlling interests	(58,350)	211,998
	<b>4,184,826</b>	4,463,523

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>12,546,604</b>	11,102,702
Construction in progress		<b>2,729,469</b>	2,231,333
Investment properties		<b>63,924</b>	73,548
Right-of-use assets		<b>1,847,675</b>	1,697,808
Goodwill		<b>4,883,291</b>	4,718,657
Other intangible assets		<b>7,717,340</b>	7,583,415
Investment in a joint venture		<b>103,427</b>	140,840
Investments in associates		<b>9,020,464</b>	7,351,265
Deferred tax assets		<b>1,276,625</b>	1,056,099
Derivative financial instruments		—	34,009
Other financial assets		<b>7,690,082</b>	4,845,997
Long term prepayments		<b>760,762</b>	215,966
		<hr/>	<hr/>
Total non-current assets		<b>48,639,663</b>	41,051,639
<b>CURRENT ASSETS</b>			
Other financial assets		<b>7,752,088</b>	19,220,584
Derivative financial instruments		<b>2,175</b>	10,814
Inventories		<b>5,512,450</b>	5,089,944
Trade and bills receivables	<i>11</i>	<b>2,988,362</b>	3,586,866
Prepayments, other receivables and other assets		<b>3,604,858</b>	3,027,185
Pledged deposits		<b>249,521</b>	74,186
Cash and bank balances		<b>11,397,123</b>	6,476,187
		<hr/>	<hr/>
Total current assets		<b>31,506,577</b>	37,485,766
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>7,969,321</b>	6,738,626
Other payables and accruals		<b>11,465,916</b>	10,807,574
Interest-bearing bank and other borrowings		<b>4,924,393</b>	13,838,201
Derivative financial instruments		<b>3,653</b>	4,346
Deferred income		—	50,493
Income tax payable		<b>181,013</b>	294,617
Other financial liabilities		<b>1,600,200</b>	—
		<hr/>	<hr/>
Total current liabilities		<b>26,144,496</b>	31,733,857
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>5,362,081</b>	5,751,909
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>54,001,744</b>	46,803,548
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
31 December 2020

	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>14,019,832</b>	9,634,609
Deferred income	<b>420,006</b>	279,494
Deferred tax liabilities	<b>2,279,605</b>	1,941,902
Derivative financial instruments	<b>34,742</b>	—
Other financial liabilities	—	1,600,206
	<hr/>	<hr/>
Total non-current liabilities	<b>16,754,185</b>	13,456,211
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>37,247,559</b>	33,347,337
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<b>359,359</b>	358,257
Treasury shares held under share award scheme	<b>(56,916)</b>	(133,671)
Other reserves	<b>12,953,689</b>	12,442,343
Retained earnings	<b>19,726,510</b>	16,465,355
	<hr/>	<hr/>
Non-controlling interests	<b>32,982,642</b>	29,132,284
	<b>4,264,917</b>	4,215,053
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>37,247,559</b>	33,347,337
	<hr/> <hr/>	<hr/> <hr/>

*NOTES :*

**1. CORPORATE AND GROUP INFORMATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company is an investment holding company and its subsidiaries are engaged in the manufacture and distribution of dairy products.

**2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretation) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for share options, certain financial assets, derivative financial instruments and certain other borrowings which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of

activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any material impact on the financial position and performance of the Group.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s buildings and structures, motor vehicles have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB3,089,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- Liquid milk products segment — manufacture and distribution of ultra-high temperature milk (“UHT milk”), milk beverages, yogurt and fresh milk;
- Ice cream products segment — manufacture and distribution of ice cream;
- Milk powder products segment — manufacture and distribution of milk powder; and
- Others segment — principally the Group’s cheese, plant-based nutrition products and trading business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, non-lease-related finance costs, share of profits/losses of associates and a joint venture, income tax expense, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude investments in associates and a joint venture, assets of a disposal group classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2020

	Liquid milk products RMB'000	Ice cream products RMB'000	Milk powder products RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue (note 4)</b>					
Sales to external customers	67,750,993	2,633,731	4,572,975	1,077,145	76,034,844
Intersegment sales	<u>648,537</u>	<u>69,917</u>	<u>16,327</u>	<u>845,294</u>	<u>1,580,075</u>
	68,399,530	2,703,648	4,589,302	1,922,439	77,614,919
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(1,580,075)</u>
Revenue					<u><u>76,034,844</u></u>
<b>Segment results</b>	<b>3,193,020</b>	<b>23,956</b>	<b>16,638</b>	<b>39,861</b>	<b>3,273,475</b>
<i>Reconciliation:</i>					
Interest income					1,084,613
Finance costs (other than interest on lease liabilities)					(550,475)
Share of loss of a joint venture					(37,413)
Share of profits of associates					463,418
Corporate and other unallocated expenses					<u>(78,832)</u>
Profit before tax					4,154,786
Income tax expense					<u>(653,193)</u>
Profit for the year					<u><u>3,501,593</u></u>
<b>Segment assets</b>	<b>50,221,395</b>	<b>1,949,172</b>	<b>18,826,292</b>	<b>733,919</b>	<b>71,730,778</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(24,887,942)
Corporate and other unallocated assets					24,179,513
Investment in a joint venture					103,427
Investments in associates					<u>9,020,464</u>
Total assets					<u><u>80,146,240</u></u>
<b>Segment liabilities</b>	<b>23,245,274</b>	<b>2,640,811</b>	<b>10,999,767</b>	<b>1,482,354</b>	<b>38,368,206</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(24,970,639)
Corporate and other unallocated liabilities					<u>29,501,114</u>
Total liabilities					<u><u>42,898,681</u></u>

Year ended 31 December 2020 (Continued)

	Liquid milk products RMB'000	Ice cream products RMB'000	Milk powder products RMB'000	Others RMB'000	Total RMB'000
<b>Other segment information:</b>					
Depreciation and amortisation	1,651,331	186,310	174,841	29,418	2,041,900
Unallocated amounts					<u>94,968</u>
Total depreciation and amortisation					<u><u>2,136,868</u></u>
Capital expenditure	4,485,830	123,154	169,155	1,247,393	6,025,532
Unallocated amounts					<u>90,625</u>
Total capital expenditure*					<u><u>6,116,157</u></u>
Impairment losses recognised in the consolidated statement of profit or loss	150,480	117,623	107,515	1,661	377,279
Impairment losses reversed in the consolidated statement of profit or loss	<u>(41,828)</u>	<u>(4,862)</u>	<u>(2,144)</u>	<u>—</u>	<u>(48,834)</u>
Impairment losses recognised in the consolidated statement of profit or loss, net	<u>108,652</u>	<u>112,761</u>	<u>105,371</u>	<u>1,661</u>	<u>328,445</u>
Expense relating to share option scheme and share award scheme	67,177	6,016	6,903	17,364	97,460
Unallocated amounts					<u>120,180</u>
Total non-cash expenses relating to share option scheme and share award scheme					<u><u>217,640</u></u>

Year ended 31 December 2019

	Liquid milk products <i>RMB'000</i>	Ice cream products <i>RMB'000</i>	Milk powder products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue ( <i>note 4</i> )					
Sales to external customers	67,877,807	2,561,406	7,869,685	720,958	79,029,856
Intersegment sales	<u>740,894</u>	<u>87,256</u>	<u>—</u>	<u>291,836</u>	<u>1,119,986</u>
	68,618,701	2,648,662	7,869,685	1,012,794	80,149,842
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(1,119,986)</u>
Revenue					<u>79,029,856</u>
Segment results	3,854,437	(245,748)	(1,875,528)	(154,128)	1,579,033
<i>Reconciliation:</i>					
Interest income					1,104,791
Finance costs (other than interest on lease liabilities)					(625,049)
Share of loss of a joint venture					(9,160)
Share of profits of associates					184,224
Gains on disposal of subsidiaries					3,418,082
Corporate and other unallocated expenses					<u>(46,474)</u>
Profit before tax					5,605,447
Income tax expense					<u>(1,309,532)</u>
Profit for the year					<u>4,295,915</u>
Segment assets	48,535,451	2,130,507	18,482,392	996,003	70,144,353
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(21,812,835)
Corporate and other unallocated assets					22,713,782
Investment in a joint venture					140,840
Investments in associates					<u>7,351,265</u>
Total assets					<u>78,537,405</u>
Segment liabilities	26,976,478	2,815,865	10,915,889	1,366,737	42,074,969
<i>Reconciliation:</i>					
Elimination of intersegment payables					(21,812,835)
Corporate and other unallocated liabilities					<u>24,927,934</u>
Total liabilities					<u>45,190,068</u>

Year ended 31 December 2019 (Continued)

	Liquid milk products RMB'000	Ice cream products RMB'000	Milk powder products RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Depreciation and amortisation	1,661,955	198,827	131,415	31,943	2,024,140
Unallocated amounts					<u>235,767</u>
Total depreciation and amortisation					<u><u>2,259,907</u></u>
Capital expenditure	2,191,159	40,906	9,021,047	11,481	11,264,593
Unallocated amounts					<u>267,697</u>
Total capital expenditure*					<u><u>11,532,290</u></u>
Impairment losses recognised in the consolidated statement of profit or loss	341,662	19,230	2,589,741	—	2,950,633
Impairment losses reversed in the consolidated statement of profit or loss	<u>(24,141)</u>	<u>(12)</u>	<u>(292)</u>	<u>—</u>	<u>(24,445)</u>
Impairment losses recognised in the consolidated statement of profit or loss, net	<u><u>317,521</u></u>	<u><u>19,218</u></u>	<u><u>2,589,449</u></u>	<u><u>—</u></u>	<u><u>2,926,188</u></u>
Expense relating to share option scheme and share award scheme	49,965	870	18,307	1,947	71,089
Unallocated amounts					<u>225,144</u>
Total non-cash expenses relating to share option scheme and share award scheme					<u><u>296,233</u></u>

\* Capital expenditure consists of cash paid for the purchase of property, plant and equipment, construction in progress, intangible assets, land use rights, equity interests in subsidiaries, associates and other equity investments.

## Geographical information

### a. Revenue from external customers

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China	74,205,440	78,318,808
Overseas	<u>1,829,404</u>	<u>711,048</u>
	<u><b>76,034,844</b></u>	<u><b>79,029,856</b></u>

The revenue information above is based on the locations of the customers.

### b. Non-current assets

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China	31,480,912	27,430,485
Overseas	<u>8,192,044</u>	<u>7,685,049</u>
	<u><b>39,672,956</b></u>	<u><b>35,115,534</b></u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

## Information about major customers

There was no sales to a single customer which accounted for 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers:		
Sale of goods	76,025,108	78,980,627
Consigned processing services	9,736	49,229
	<u>76,034,844</u>	<u>79,029,856</u>

#### Other income and gains

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income and gains		
Government grants related to		
— Recognition of deferred income	50,689	174,895
— Income	313,945	249,284
— Biological assets	—	16,334
Gains on disposal of subsidiaries ( <i>note a</i> )	18,669	3,418,082
Gross rental income	66,214	43,666
Foreign exchange gains, net	299,946	42,575
Net fair value gain on forward currency contracts	—	23,308
Net fair value gain on unlisted equity investment at fair value through profit or loss	138,622	—
Net fair value gain on unlisted equity investment in Guangze with put options	12,433	42,479
Negative goodwill arising from acquisition of an associate ( <i>note b</i> )	106,491	—
Others	197,777	90,265
	<u>1,204,786</u>	<u>4,100,888</u>

*Notes:*

- (a) During 2019, among others, the Group disposed of its 51% equity interest in Junlebao for a cash consideration of approximately RMB4,011,319,000, resulting in a pre-tax gain on disposal of RMB3,331,848,000.
- (b) On 31 July 2020, the Group increased its shareholdings in China Shengmu Organic Milk Ltd. (“China Shengmu”) and recognised China Shengmu as an associate. Based on the purchase price allocation on initial recognition of investments in associates, a negative goodwill of RMB106,491,000 was recognised as other income and gains.

## 5. OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Donations	480,367	20,286
Fair value change of biological assets	—	171,902
Loss on disposal of items of property, plant and equipment	13,585	78,618
Impairment of goodwill ( <i>note a</i> )	—	2,363,909
Impairment of other intangible assets	3,831	196,035
Impairment of construction in progress	—	1,653
Impairment of property, plant and equipment	49,031	41,754
Impairment of right-of-use assets	22,778	—
Write-down of inventories to net realisable value	95,929	74,482
Educational surcharges, city construction tax, and other taxes	473,262	477,679
Net fair value loss on forward currency contracts	9,825	—
Net fair value loss on a convertible promissory note	—	1,409
Net fair value loss on exchangeable bonds	401,942	77,988
Net fair value loss on warrants and subscription rights of warrants	11,187	61,500
Others	202,773	124,662
	<u>1,764,510</u>	<u>3,691,877</u>

- (a) During 2019, as the performance of the milk powder products CGU Group did not meet the expectation, the Group recognised an impairment loss of the goodwill directly related to the milk powder products CGU Group amounting to RMB2,299,126,000. Apart from that, the Group also recognised impairment losses of RMB64,783,000 on goodwill directly related to other CGUs.

## 6. PROFIT BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories sold	47,393,841	49,310,312
Realised and unrealised fair value losses of commodity futures contracts, net	4,568	—
Cost of consigned processing services	7,155	40,930
	<u>47,405,564</u>	<u>49,351,242</u>
Cost of sales		
Employee benefit expense (including directors' and chief executive's remuneration)		
— Wages, salaries, housing benefits and other allowances	5,924,474	6,254,984
— Retirement benefit contributions	147,957	530,600
— Share option scheme expense	52,217	166,651
— Share award scheme expense	165,423	129,582
	<u>6,290,071</u>	<u>7,081,817</u>
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	155,397	233,856
Impairment of financial assets included in prepayments, other receivables and other assets, net	1,479	1,524
Impairment of financial assets included in other financial assets, net	—	12,975
	<u>156,876</u>	<u>248,355</u>
Impairment of goodwill	—	2,363,909
Impairment of other intangible assets	3,831	196,035
Impairment of construction in progress	—	1,653
Impairment of right-of-use assets	22,778	—
Impairment of property, plant and equipment	49,031	41,754
Depreciation of items of property, plant and equipment	1,789,244	1,945,804
Depreciation of right-of-use assets	256,477	220,068
Depreciation of investment properties	3,882	4,037
Amortisation of other intangible assets	87,265	89,998
Research and development costs — current year expenditure	318,398	205,041
Outsourcing expense ( <i>note a</i> )	256,777	181,993
Lease payments not included in the measurement of lease liabilities ( <i>note b</i> )	141,846	264,333
Auditor's remuneration ( <i>note c</i> )	13,580	17,055

*Notes:*

- (a) For the purpose of promoting operation efficiency, the Group outsourced the production of certain products. The amounts represent the total amount paid by the Group for purchasing outsourcing services.
- (b) The Group recognised rental expenses from short-term leases of RMB111,878,000 (2019: RMB201,200,000), leases of low-value assets of RMB4,645,000 (2019: RMB25,002,000) and variable lease payments not based on index or rates of RMB25,323,000 (2019: RMB38,131,000) for the year ended 31 December 2020.
- (c) In addition to the above fees paid or payable to the auditors, Yashili, a subsidiary of the Company listed on the Main Board of the Stock Exchange of Hong Kong Limited, had an amount of RMB2,923,000 (2019: RMB2,944,000) paid/payable as auditor's remuneration during the year.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans	162,132	370,238
Interest on other borrowings (excluding lease liabilities)	388,343	238,716
Interest on lease liabilities	21,780	19,153
Interest on long term payables	—	400
Net fair value loss on interest rate forward contracts	—	15,695
	<u>572,255</u>	<u>644,202</u>

## 8. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on Corporate Income Tax ("PRC CIT Law"), except for certain preferential tax treatment available to certain subsidiaries of the Group, the entities within the Group are subject to PRC corporate income tax ("CIT") at a rate of 25% (2019: 25%) on the taxable income as reported in their statutory accounts which are prepared in accordance with the PRC accounting standards and financial regulations.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current income tax</b>		
Current charge for the year	651,767	1,486,936
Adjustments recognised in the year for current tax of prior years	(12,776)	14,924
<b>Deferred income tax</b>	<u>14,202</u>	<u>(192,328)</u>
	<u>653,193</u>	<u>1,309,532</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the year is as follows:

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Profit before tax		<b>4,154,786</b>	5,605,447
At CIT rate of 25% (2019: 25%)		<b>1,038,697</b>	1,401,362
Non-deductible items and others, net		<b>5,084</b>	213,660
Impairment of goodwill and trademarks with indefinite useful lives		—	638,769
Adjustment recognised in the year for current tax of prior years		<b>(12,776)</b>	14,924
Effect of lower tax rates	<i>(a)</i>	<b>(228,534)</b>	(749,023)
Effect of tax exemptions	<i>(a)</i>	<b>(371,163)</b>	(394,255)
Losses/(gains) attributable to a joint venture and associates		<b>(106,501)</b>	(43,766)
Tax losses utilised from previous periods		<b>(60,468)</b>	(107,686)
Tax losses not recognised		<b>386,639</b>	329,126
Effect of withholding tax at 10% on the distributable profits of the Group's certain PRC subsidiaries		<b>2,215</b>	6,421
At the effective income tax rate of 15.72% (2019: 23.36%)		<b>653,193</b>	1,309,532

*Notes:*

- (a) Fifteen (2019: Fifteen) subsidiaries were granted lower tax rates by the state tax bureau in accordance with the PRC CIT law and the corresponding transitional tax concession policy and "The notice of tax policies relating to the implementation of the western China development strategy."

Thirty-three (2019: Thirty) subsidiaries were granted tax exemptions in accordance with the policy of "The notice of preferential tax policy for preliminary processing of agriculture products".

The total taxable profits of the subsidiaries that are subject to tax concessions amounted to approximately RMB2,514,491,000 (2019: RMB6,684,910,000) in aggregate.

- (b) The share of tax attributable to a joint venture and associates amounting to approximately RMB3,338,000 (2019: RMB4,568,000) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

## 9. DIVIDENDS

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Declared and paid during the year Equity dividends on ordinary shares		<u><b>706,661</b></u>	<u>708,968</u>
Proposed for approval at the AGM Equity dividends on ordinary shares: Proposed final — RMB0.268 (2019: RMB0.181) per ordinary share	<i>(a)/(b)</i>	<u><b>1,058,093</b></u>	<u>712,238</u>

### *Notes:*

- (a) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (the "AGM").
- (b) This dividend was not recognised as a liability in the consolidated financial statements for the year ended 31 December 2020 but will be reflected as an appropriation of the share premium account for the year ending 31 December 2021.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earnings per share

The basic earnings per share for the year is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share amount is as follows:

	<b>2020</b> <b>Number of</b> <b>shares</b> <b>'000</b>	2019 Number of shares '000
Issued ordinary shares at 1 January	<b>3,935,015</b>	3,927,708
Effect of share options exercised	<b>6,053</b>	3,496
Effect of shares purchased under share award scheme	<u><b>(11,803)</b></u>	<u>(18,053)</u>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u><b>3,929,265</b></u>	<u>3,913,151</u>

**(b) Diluted earnings per share**

The diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A reconciliation of the weighted average number of shares used in calculating the diluted earnings per share amount is as follows:

	<b>2020</b>	2019
	<b>Number of</b>	Number of
	<b>shares</b>	Shares
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<b>3,929,265</b>	3,913,151
Weighted average number of ordinary shares, assuming issued at no consideration on the deemed exercise of all share options during the year	<b>8,306</b>	8,125
Adjustments for share award scheme	<b>13,763</b>	2,605
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<b>3,951,334</b>	3,923,881
	<hr/> <hr/>	<hr/> <hr/>

**11. TRADE AND BILLS RECEIVABLES**

	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Bills receivable	<b>61,530</b>	109,968
Trade receivables	<b>3,023,354</b>	3,587,559
Impairment	<b>(96,522)</b>	(110,661)
	<hr/>	<hr/>
	<b>2,988,362</b>	3,586,866
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit limit to its customers which is adjustable in certain circumstances. The Group closely monitors overdue balances. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables. The trade receivables are non-interest-bearing.

Based on the Group's accounting policy of financial assets, the Group measured bills receivable at fair value through other comprehensive income as at 31 December 2020.

Certain trade and bills receivables of the Group with a net book value of approximately RMB12,313,000 as at 31 December 2019 have been pledged to secure the short term bank loans.

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>2,484,058</b>	2,990,016
4 to 6 months	<b>380,879</b>	484,937
7 to 12 months	<b>73,089</b>	95,371
Over 1 year	<b>50,336</b>	16,542
	<b><u>2,988,362</u></b>	<u>3,586,866</u>

## 12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables of the Group, based on the invoice date, is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>7,183,665</b>	5,510,608
4 to 6 months	<b>725,645</b>	870,994
7 to 12 months	<b>40,720</b>	333,937
Over 1 year	<b>19,291</b>	23,087
	<b><u>7,969,321</u></b>	<u>6,738,626</u>

The Group's trade and bills payable are unsecured, non-interest-bearing and payable on demand.

## 13. EVENTS AFTER THE REPORTING PERIOD

On 13 December 2020, Inner Mongolia Mengniu and Shanghai Milkground Food Tech Co., Ltd ("MilkGround") entered into a share subscription agreement, pursuant to which MilkGround has conditionally agreed to issue and Inner Mongolia Mengniu has conditionally agreed to subscribe no more than 100,976,102 shares at a price of RMB29.71 per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In early 2020, the dairy industry was inevitably affected by the COVID-19 Epidemic (the “Epidemic”) temporarily. Indeed, during the first quarter, all upstream and downstream sectors of the dairy industry saw their operations affected. Following the mitigation of the Epidemic in the second quarter, production and supply within the dairy industry gradually returned to normal and market demand began to recover, in particular the demand for liquid milk. With the support and promotion from the Chinese government and authoritative organizations, consumption of dairy products increased as consumers began to have greater awareness of nutrition and health, which became a driving factor for the recovery and further development of the dairy industry. On 8 February, 2020, the National Health Commission of the PRC issued the “Nutrition and Dietary Advice on Prevention and Recovery from Novel Coronavirus Infected Pneumonia” and recommended that “moderate or recovering patients should consume 300g of milk and dairy products per day (Yogurt can be consumed more as they provide intestinal probiotics)”. On 26 February, the National Association of Health Industry and Enterprise Management, the Chinese Nutrition Society, the Dairy Association of China and the China Dairy Industry Association jointly published the “Guidelines on Consumption of Milk and Dairy Products for Chinese People”, recommending the public to consume 300g of liquid milk or other dairy products with protein content equivalent to 300g of liquid milk to promote a healthy diet, hence boosting the demand for dairy products.

In the wake of the Epidemic, consumers have become more conscious of their health and immunity and have paid more attention to food nutrient content and food quality, resulting in higher popularity of products with low fat and sugar content as well as high lactoferrin content. More consumers have opted for dairy products to improve their health and prefer dairy products which are healthy, nutritious, rich in protein and fresh. During the year, there was strong demand for both high-end and affordable pure milk due to different consumption preferences for high-quality and value-for-money products, respectively. Demand for functional dairy products and organic milk also increased, which encouraged producers to develop innovative and high-end dairy products.

As for channel development, after the outbreak of the Epidemic in the first half of 2020, urban families in China purchased fast-moving consumer products through O2O home delivery, which helped to offset the significant decrease in offline sales to a certain extent. Although the Epidemic was less severe in the second half of 2020, most consumers had already developed the habit of online shopping. In preparation for changes in sales channels after the Epidemic, Mengniu proactively explored new e-commerce platforms, O2O home delivery services, community sales and WeChat group sales during the year, in order to expedite integration of online and offline marketing.

As production and sales in different areas were severely affected by the Epidemic, Mengniu began the full implementation of the Group's digitalization strategy to continuously improve the flexibility of the supply chain through digitalization. Mengniu also promoted omni-channel development and the integration of online and offline channels.

On 30 December 2020, the Chinese government issued the "Action Plan for Improving Quality and Safety of Dairy Products", highlights of which included 1) promoting the use of new technology and new production processes to create new products as well as the use of fresh milk to produce dairy products; 2) strengthening the research and development of dried dairy products such as cheese and butter; 3) enhancing the control of the whole production process of dairy products, such as strengthening milk source management and increasing the proportion of self-owned and self-controlled milk sources; 4) promoting the establishment of food safety tracking systems; and 5) tightening the quality standards of dairy products and improving safety and quality and amending and enhancing the "Administrative Measures on Product Formula Registration of Infant Milk Formula". The new policies will increase market entry barriers, which will be favorable to industry leaders who own a high proportion of self-controlled milk sources with high usage of fresh milk and provide high-quality standard products.

## **BUSINESS REVIEW**

### **Business Division Performance**

#### ***Room Temperature Product Business***

In 2020, benefiting from the increased awareness of health and nutrition among consumers, the room temperature product business division proactively adjusted its strategies in line with market trends resulting from the Epidemic, and realized fast growth during the year. Sales of *Milk Deluxe* and *Mengniu* pure milk increased, while sales of *Just Yoghurt* and *Zhenguoli Fruit Milk Drink* also increased thanks to the introduction of new products. Moreover, despite that sales channels were disrupted during the early stages of the Epidemic, Mengniu continued with its route-to-market (“RTM”) strategy and accelerated marketing digitalization and sales and channel penetration in towns and villages. Mengniu also promptly developed its new sales channels, including O2O home delivery channels, online fresh food shopping platforms and community group purchase platforms, resulting in significant increases in market share and penetration rate.

During the year, *Milk Deluxe* launched upgraded “DreamCap™” organic pure milk and pure milk containing 3.8g of protein and 125 mg of original calcium per 100ml, further reinforcing the premium position of the *Milk Deluxe* brand and stimulating its sales. *Mengniu* pure milk introduced the Nutritious and Mellow Enjoyment series in a tetra pack, which has been very well received by families and young consumers, resulting in robust sales growth. The *Just Yoghurt* brand, which innovated room temperature yogurt with real fruit pulp, introduced the new Xiaomanyao white peach and pomegranate flavored fruit yogurt products in order to meet the different demands of young consumers in respect of consumption scenario and flavor. The *Zhenguoli Fruit Milk Drink* brand has developed floral and fruity flavor light lactobacillus drinks, which are low-fat, slightly fermented and subtly sweet and sour flavored. Emphasizing the innovative combination of “flower + fruit + light lactobacillus drink”, the series has been well received by consumer groups such as urban white-collar workers and university students, and has been sold out on multiple occasions on the e-commerce platforms since its launch.

Regarding branding strategy, as consumers have become increasingly aware of the importance of health and immunity following the outbreak of the Epidemic and pure milk has been more widely perceived as a “necessity”, *Mengniu* pure milk has achieved significant sales growth during the year. By enhancing its brand position and upgrading its product mix, the operational efficiency of *Mengniu* pure milk has improved substantially. Through in-depth analysis of consumer-related big data, *Milk Deluxe* enhanced its digitalized interaction with consumers which have different demands. Brand awareness and sales increased following the promotion of the brand through the sponsorship of highly popular Hunan TV programs, including “Back to Field Season 4” and “Dance Smash”. During the year, *Just Yoghurt* used a new brand positioning slogan of “It’s the real thing. It’s Just Yoghurt.” and served as the title sponsor of popular programs including “Produce Camp 2020” and “The Chinese Restaurant Season 4”. The *Just Yoghurt* brand also launched crossover products with fashion brand *Moschino* for the first time, appealing to young consumers and using digital marketing to position itself as a fashionable brand. The *Zhenguoli Fruit Milk Drink* floral and fruity flavor light lactobacillus drink series was successfully launched through the title sponsorship of “Idol Producer 2” produced by iQiyi. Although sales channels were disrupted during the Epidemic, sales of *Zhenguoli Fruit Milk Drink* increased due to the introduction of premium products and efforts to connect with young consumers through popular media publicity.

As for channel strategy, following the outbreak of the Epidemic, *Mengniu*’s room temperature product business distributed its products through the in-depth cooperation between online and offline channels. In addition to further development of traditional e-commerce channels including Alibaba and JD.com, it promptly deployed its sales channels, including O2O home delivery services, fresh food shopping platforms and community group purchase platforms. The distributors of the room temperature products have all started using the “Smart Network” system, which enables online management of store channels. Highly efficient and meticulous channel management further enhanced *Mengniu*’s point of sales control and monitoring of sales expenses investment. Moreover, the “Penetration into Towns and Villages Project” has progressed to version 2.0, which focuses on “Exclusive Products, Exclusive Storekeepers, Exclusive Platforms and Exclusive Partners”. Rural markets have been further developed, such that the number of sales points and sales volumes have increased through the systematic and visible management of salespersons and sales points.

### ***Chilled Product Business***

In view of the changes in consumption trends, sales channels and health awareness of consumers, *Mengniu* further promoted the nutritional values of chilled yogurt and chilled lactobacillus and developed new products and RTM channels. Sales of *Mengniu*’s chilled products maintained the first in the industry for the 16th consecutive year. Although the Group’s sales of chilled products still outperformed others in the industry as a whole, revenue recorded negative growth in 2020 as it was affected by the Epidemic and intensified competition.

Throughout the year, *Champion*, the only yogurt awarded State Food and Drug Administration's health food certificate, was promoted to consumers, with an emphasis on the functions of its probiotic content, through various activities including a yogurt cultural festival, nutritionist recommendation and live streaming of science lectures. *Champion* has also launched the light and refresh chilled yogurt series, which contains probiotics and prebiotics to improve intestinal health. In addition, focusing on satisfying the demand for healthy, low-sugar and low-fat products from Chinese consumers, the *Yoyi C* brand has launched a low sugar and zero-fat formula product with white peach oolong and grapefruit flavors. *Yoyi C* has also successfully penetrated the youth consumer market with the help of a collaboration with the mobile game Honor of the Kings.

After the outbreak of the Epidemic, offline purchase frequency decreased significantly in line with the substantial decrease in consumer flow. In response to the shift from offline consumption channels to online, the chilled product business promptly deployed new retail channels during the year, including the O2O home delivery services, fresh food shopping platforms, community group purchases and live broadcast selling. By increasing the number of points of sale, optimizing channel structure and refining digitalized management, further penetration of the market was achieved. The chilled product business also accelerated its implementation of the "Smart Network" project in order to improve the efficiency of channel operations.

### ***Fresh Milk Business***

In 2020, Mengniu's fresh milk business developed robustly. Through product innovation, stringent quality control, and extension of the supply chain and sales network, revenue doubled and market share also increased significantly.

Mengniu has focused on the promotion of *Shiny Meadow* and *Modern Meadow*, two major brands of its fresh milk business. During the year, *Shiny Meadow*, a premium brand, was promoted as a new standard of high-quality fresh milk through a new combination of media channels which strengthened communication with consumers. The market position of *Shiny Meadow* as a leading premium fresh milk product was further consolidated through the introduction of new products: organic fresh milk from the desert and Youhu A2 $\beta$ -casein fresh milk. *Modern Meadow* has adopted innovative technologies to increase daily supply of T+0 milk products significantly, so as to ensure the freshness of milk. The fresh milk business division also achieved robust growth in market share through continuous consumer education on fresh milk product knowledge.

As for sales management, the fresh milk business focused on RTM development. Through a sales model comprising both distributors and direct sales, greater control over sales channels has been achieved. Mengniu also strategically cooperated with traditional e-commerce channels and O2O new retail channels. Its sales of fresh milk products ranked first on the JD.com platform in the June 18 Shopping Festival and November 11 Shopping Festival. In addition, Mengniu further developed its convenience store network for sales of fresh milk by establishing independent sales counters and stores, facilitating quality and robust growth of the fresh milk business.

### ***Milk formula business of Yashili***

The milk formula business of Yashili International Holdings Limited (“Yashili”, stock code: 1230.HK), in which Mengniu holds 51% equity interest, recorded steady increase in sales, mainly due to (i) expansion of the coverage of adult infant milk powder and nutrition products on new functional products to shift focus to high-end products while developing market segments; (ii) optimization of product structure of infant formula products, and the satisfactory business growth after the rebranding; (iii) enhanced brand exposure and credibility through a variety of advertising and promotion efforts, which promoted online and offline sales volume growth.

In 2020, Yashili continued to develop its business of two major product lines, infant milk formula and nutritional products. In respect of infant milk formula, Yashili upgraded the formula of all existing product lines and introduced breast milk-like infant milk formula products. In view of the demand of nutritional products for enhancement of immunity during the Epidemic, Yashili introduced various high-end functional milk powder. *Reeborne*, its major infant milk formula brand, launched seven products under the breast milk-like milk formula series, covering mainstream milk formula, organic milk formula and goat milk formula. Yashili also continued to upgrade its nutritional products and introduced *Mengniu* Premium Gold, Platinum and Yourui series. Yashili also introduced additional new products, including *Topconic*, the first milk powder product in China for immunity enhancement, Nutriall milk powder, fruit oatmeal, M8 children’s growth milk formula and skimmed milk powder.

During the year, Yashili continued to focused on the mother-and-baby channels for infant milk formula and the KA modern trade channels for nutritional products. Yashili also accelerated the development of e-commerce channels as well as the development of new channels and new products. Home delivery service has become part of the regular business operation during the Epidemic. Yashili also strengthened its cooperation with Alibaba, JD.com and other e-commerce platforms and further developed new retails channels, such as community group purchase and online social group purchase, to boost the steady development of its business.

### ***Bellamy's Business***

*Bellamy's*, an Australian organic infant milk formula and baby food provider, was acquired by the Group at the end of 2019 and has become a crucial member of Mengniu's international business division. *Bellamy's* has adhered to the "Pursuing Organic, Naturally Organic" brand positioning strategy and actively expanded its portfolio of high-end organic products.

During the year, capitalizing on the reputation it has established in online channels over the years, *Bellamy's* continued to expand its product line and established offline channels in China in order to develop distribution networks in first- to third-tier cities. In March 2020, *Bellamy's* launched its Chinese-labelled organic baby rice and proactively increase its share in the high-end organic supplementary food market. In May and June, *Bellamy's* launched the first super high-end organic A2 milk powder and Mim's Gentle Milk Co™ organic A2 goat milk powder in Australia, both of which were also offered in China through cross-border e-commerce platforms. The comprehensive deployment of organic infant milk formula products within the high-end market segment has been completed since then. The Chinese-labelled *Bellamy's* organic Equi-pure infant milk formula series was also launched through offline channels in August.

Through the launch of the *Bellamy's* organic Equi-pure infant milk formula, *Bellamy's* speedily deployed offline channels in China and developed distribution networks covering first- to third-tier cities in the country. As of the end of 2020, the products were sold in nearly 3,000 offline stores in 13 provinces. During the period, the performance of cross-border e-commerce channels was outstanding and *Bellamy's* ranked fifth for infant milk formula products in terms of annual sales. The sales of infant rice also increased substantially, and the brand ranked first for sales of organic rice products on cross-border e-commerce channels.

### ***Ice Cream Business***

In 2020, the ice cream business primarily focused on rebranding and product upgrades. Products were promoted through online-offline coordination and multi-dimensional cooperation, in order to improve brand awareness and maintain a steady growth in sales.

Based on its bean-flavored ice cream products, *Green Mood* co-branded with "Jiang Ziya" IP to launch two tea-flavored ice cream products. The brand was advertised on TikTok, Xiaohongshu and other platforms to promote its youthful image. In cooperation with its ambassador Qi Wei, *Deluxe* rebranded itself as a youthful brand. By launching innovative products such as black pineapple fruit pulp milk ice cream and velvet yogurt milk ice cream, *Deluxe* established its fresh milk ice cream product positioning to target middle-class female customers. *Suibian* engaged a number of new generation celebrities to promote its brand. It also collaborated with the alcohol brand *Jiangxiaobai* and launched "ice cream for adults", creating a diverse and trendy brand image which ultimately enhanced sales.

During the year, in addition to developing traditional channels and modern trade channels, Mengniu also developed fresh food online shopping platform channels such as Miss Fresh and 100.me, as well as new retail channels such as group purchase channels, which led to the steady growth of ice cream sales.

### ***Cheese business***

To capture the growth opportunities of the cheese market in China, Mengniu and Arla Foods, which is the largest dairy enterprise in Europe, co-founded 愛氏晨曦, a high-end cheese brand, and cooperated in research and development, innovation, brand promotion, channel operation and construction of factories. By actively promoting product innovation and digital marketing, deepening channel expansion, as well as enhancing traditional e-commerce channels, 愛氏晨曦 continued to raise brand awareness and sales.

During the year, the Group actively developed new products, including white sugar-free cheese desserts, brand new room temperature squid flavored cheese snacks and the first made-in-China liquid butter. 愛氏晨曦 cheese engaged the world-renowned pianist Lang Lang and his wife Gina Alice Redlinger as its global brand ambassadors to promote its new brand image. Leveraging digital and social platforms, the Group collaborated with Tmall and JD.com to further engage with consumers. The Group also actively increased its market presence in such segments as Chinese and Western catering, baking and tea beverage, and hotels and airlines, in order to further improve the penetration of its cheese products.

### **Quality Management**

In 2020, Mengniu continued to implement its three-year quality assurance plan alongside the adoption of the quality management system 3.0. Mengniu also remained dedicated to promoting a quality-oriented culture through the production of excellent products for consumers and upholding its vision of becoming a benchmark for milk producers worldwide, providing consumers with safe and trusted products reflecting international standards.

Utilizing quality sources of milk is essential for the production of high-quality products. Mengniu has established a professional range management system by introducing an advanced ranch management system from Arla Garden and safety management standards from AsureQuality of New Zealand. In addition, the Group is committed to benchmarking against international and domestic laws, regulations and standards relating to animal rearing and breeding, along with observing ISO9000 and ISO22000 management system requirements. During the year, the Group focused on the management of upstream suppliers, veterinary drugs, animal welfare and the digitalization of ranch management. The quality management systems used by ranches were also effectively improved, enhancing Mengniu's cooperation with upstream ranches. In 2020, the Group's milk source bases passed all random inspections by relevant government departments for the seventh consecutive year.

In order to more strictly control the product quality of the entire industry chain, Mengniu introduced production facilities, skills and technologies and adhered to the food safety standards of Danone Group and Arla, two of the world's leading producers, and further developed quality and safety management systems that are suitable for the dairy industry in China. During the year, Mengniu continued to implement the "quality and safety management system 3.0" to cover the entire cycle of procurement and supply. Quality management activities pertaining to elements, systems, and standards have been improved, ultimately providing consumers with products and services of a higher quality.

In 2020, Mengniu entered a new era of the 4Q quality management system. In order to meet the demands of consumers, the Group took a risk prevention approach to introduce the 4Q quality management system, i.e. Quality Planning, Quality Control, Quality Assurance and Quality Support, according to international standards and practices. The system has the characteristics of a 4Q quality pyramid model, adhering to the principles of "consumer first" and "quality first", and is driven by culture, innovation and intelligentization. It encompasses all activities within the industry chain from suppliers to consumers. The system forms the basis for the Group's excellent operation and quality management system, which enhanced the Group's three-tier management system, covering corporate, business divisions and production facilities, and provides guidelines for procedure standardization and quality control practices for employees.

### **Milk Source Management**

During the Epidemic that blighted the year 2020, Mengniu strived to resume its operations and production. Five protective measures were adopted, namely "Securing Procurement, Ensuring Supply, Guaranteeing Delivery, Maintaining Sufficient Capital, and Securing Operations", with the aim of maintaining the confidence of upstream suppliers and facilitating the stable operation of Mengniu's ranch partners and the normal operations of Mengniu's business. Mengniu ensured the stable pricing and timely supply of production materials to cooperating ranches by collaboration with the "Aiyangniu" platform. In addition, Mengniu worked with the government, dairy associations and logistic partners to ensure the seamless delivery of forage to and fresh milk from ranches, safeguarding the interest of dairy farmers and accelerate the recovery of the dairy industry as a whole.

During the year, Mengniu stepped up deploying milk sources in China and overseas. New ranches and milk processing facilities were set up in Inner Mongolia, Hebei, Henan, Shandong and Heilongjiang. Furthermore, Mengniu has become the largest shareholder of China Shengmu Organic Milk Limited, the largest organic milk producer in China. Two associated companies of Mengniu, namely China Modern Dairy Holdings Ltd. and Inner Mongolia Fuyuan International Industrial (Group) Co., Ltd., have also improved operational efficiency to meet the quality fresh raw milk demand of Mengniu.

Moreover, Mengniu has continued its efforts to promote the three major service platforms, namely “Digital Milk Sources and Smart Ranches”, “Dairy Cattle Research Institute” and “Aiyangniu” in a bid to make effective use of big data, 5G, block chain and other technologies in order to achieve efficient, refined and intelligent milk source management. During the year, Mengniu continued to carry out six measures, including financial support, technological services, scientific and standardized pricing, price determination through contracts, and talent training, with the aim of establishing an effective system to create mutual benefits between Mengniu and the ranches. With this system, ranches were able to reduce costs, enhance efficiency and optimize operational capabilities.

In order to support the development of milk source bases, the Mengniu Milk Source Technical Support Center carried out a special campaign, “Improvement of Output per Dairy Cow”, in cooperation with the National Dairy Industry and Technology System and China Agricultural University. As part of the initiatives of this campaign, an expert team has been set up while 22 evaluation panels have been established with the introduction of more than 20 industry experts from the dairy industry. These teams aim to support ranches in improving the welfare of dairy cattle and the output per dairy cow through on-site assessment, exchange of information and discussion of problems. Furthermore, Mengniu participated in the “Milk Source Base Construction Project of China Dairy Industrial Park”, which conducted groundbreaking ceremonies in Bayannur City, Tongliao City and Hohhot City. The project aims to assist Inner Mongolia in completing strategic deployment of the entire industrial chain, covering “planting, rearing and processing” along the Yellow River basin, Xiliao River basin and Nen River basin.

During the year, Mengniu stepped up disease prevention and medication management efforts at ranches to ensure that the management system of ranches remained professional and sustainable. A dairy cattle welfare system was also introduced to improve cattle health, effectively reducing morbidity and mortality. Also, based on the principle of “Scientific and Fewer Use of Veterinary Drugs”, Mengniu ceased the use of veterinary drugs which have safety risks and capitalized on the “Intelligent Ranch” platform to ensure the tracing system for veterinary drugs to reach a coverage of 100%, enabling supervision of the entire process, ranging from the inventory taking and use of veterinary drugs to medicated cattle isolation and post-isolation management.

In 2020, with reference to advanced experiences and best practices worldwide, Mengniu issued the “Promotion and Implementation System for the Welfare of Dairy Cattle”, pursuant to which a systemic guidance template of implementation standards was provided for the entire industry chain of dairy cattle rearing and breeding. Cattle welfare was carried out under implementation, evaluation, improvement, and assessment. With the completion of 650 ranch evaluations and the organization of 30 related training sessions, production capacity of dairy cattle and brand influence were successfully enhanced.

## **Corporate Digital Strategy**

In 2020, under the impact of the Epidemic, Mengniu upgraded its operations through digitalization and establishment of an information system that gradually leads to a data-driven business. The system enabled the efficient and prompt decision-making regarding the Group's operations. Mengniu has established a digitalization strategy management committee and a digitalization strategy task force to work on four strategies, including "Consumers Going Online", "Channels Going Online", "Supply Chain Going Online" and "Management Going Online", to form a digital and intelligent management model on the basis of operational platform and ecosystem. The sourcing of milk, quality management, "Smart Network", smart supply chain and consumer management are operated under a digitalized system. Data from the core business lines are collected, integrated and managed to enable better operational decisions and efficiency.

In respect of "Consumers Going Online", Mengniu made use of consumer insights and value chain data analysis to consolidate its quality media resources. Through analyzing consumer data and various consumption scenarios and marketing the value of its products, Mengniu provided guidance to consumers on healthy and nutritional products consumption and ensured that its sales and marketing accurately targeted potential customers and its investment in resources was highly effective.

With regard to "Channels Going Online", Mengniu further accelerated its efforts in RTM through its "Smart Network" system. The Group has developed its own online tools, such as "Niu Niu Hui" and "Qian Niu Hua", to facilitate the market penetration and display of products as well as the planning of routes for channel visits. The empowerment and management of channels have been further digitalized, visualized and refined. In addition, the Group has enhanced its management of products, channels and inventory. The entire channel management was improved through the optimization of its logistics, warehousing and distribution systems, and routing of transportation. The effectiveness of sales & marketing expenses and logistics expenses was also improved.

Regarding "Supply Chain Going Online", Mengniu focused on establishing "Digital Milk Sources and Smart Ranches". The Group proactively deployed its milk sources through the promotion of automation and digitalization of upstream ranches, so as to achieve mutual benefits with partners along the industrial chain. Based on data collected over the years, Mengniu's quality management system is able to identify, anticipate and alert any quality issues to ensure that consumers are provided with products of the highest quality.

As for “Management Going Online”, Mengniu has further enhanced the comprehensive management of consumers, digitalization of its industrial chain and synergy within its ecosystem. The Group has continued to accelerate digitalization of its operations and empower the upstream and downstream partners along the industrial chain. Mengniu’s objective is to enhance its capability to swiftly serve and respond to the needs of consumers, provide business insights in all aspects based on data collected, as well as improve cost effectiveness, efficiency and product quality for high quality development.

## **FINANCIAL REVIEW**

In 2019, the Group had made a disposal of its subsidiary, Junlebao, and thus consolidating its financial result only up to November 2019; in addition, the Group had made an acquisition of Bellamy’s and has consolidated its financial result since December 2019. Moreover, there were several one-off financial impacts in 2019, which included the recognition of a pretax gain on disposal of Junlebao of RMB3,331.8 million, income tax expense for the gain on disposal of Junlebao of RMB533.3 million, and provision for impairment of goodwill and other intangible assets of RMB2,559.9 million. In 2020, because of the outbreak of the Epidemic, during the first quarter the Group had taken several actions that incurred additional cost, resulting in a decrease in profit, namely (i) additional expenses incurred for epidemic prevention and control to safeguard the health and safety of workers and to resume normal work and production; (ii) additional sales and promotion expenses incurred for the Group to reduce its channel inventories as soon as possible; and (iii) donation of cash and dairy products to actively fulfill the Group’s social responsibilities. Because of the above mentioned factors, the financial performance of 2020 and 2019 might not be directly comparable. In order for shareholders and investors to better understand the financial performance of the Group in 2020, certain financial data might exclude the factors mentioned above for analysis.

### **Revenue**

The revenue of the Group amounted to RMB76,034.8 million for the year ended 31 December 2020 (2019: RMB79,029.9 million), representing a year-on-year decrease of 3.8%.

During 2020, Bellamy’s contributed RMB1,031.7 million (2019: RMB88.2 million) to the Group’s revenue while in 2019, Junlebao contributed RMB11,124.4 million to the Group’s revenue in that year. Excluding the business revenue of Junlebao which was disposed of in 2019, and that of Bellamy’s which was acquired in December 2019, the Group’s revenue from Comparable Businesses amounted to RMB75,003.1 million (2019: RMB67,817.3 million), representing an increase of 10.6%.

## **Gross Profit**

The Group's gross profit for the year decreased to RMB28,629.3 million (2019: RMB29,678.6 million). Despite the increase in the price of raw milk as compared with the previous year, with a notably optimized product mix, the Group's gross profit margin increased slightly by 0.1 percentage points to 37.7% as compared with the previous year (2019: 37.6%).

## **Operating Expenses**

Operating expenses of the Group for the year decreased to RMB26,617.6 million (2019: RMB28,809.7 million), representing 35.0% when expressed as a percentage of the Group's revenue (2019: 36.5%). In 2019, operating expenses included provision for impairment of goodwill and other intangible assets which amounted to RMB2,559.9 million, if excluding provision for impairment of goodwill and other intangible assets, the operating expenses represented 33.2% when expressed as a percentage of the Group's revenue. Taking this into comparison, operating expenses expressed as a percentage of the Group's revenue increased by 1.8 percentage points. The increase was mainly attributable to the measures adopted by the Group in the first quarter of 2020 that resulted in an increase in extra costs, including (i) additional expenses by the Group for epidemic prevention and control to safeguard the health and safety of workers and to resume normal work and production; (ii) additional sales and promotional expenses by the Group to reduce its channel inventories as soon as possible; and (iii) donations of cash and products to actively fulfil the Group's social responsibilities.

Selling and distribution expenses for the year amounted to RMB21,540.9 million (2019: RMB21,536.1 million), representing 28.3% when expressed as a percentage of the Group's revenue (2019: 27.3%), an increase of 1 percentage point in 2020 compared to that of 2019.

Advertising and promotion expenses for the year decreased by 20.0% to RMB6,803.1 million (2019: RMB8,499.9 million), representing a decrease to 8.9% when expressed as a percentage of the Group's revenue (2019: 10.8%).

Administrative and other operating expenses, including impairment losses on financial and contract assets and loss on disposal of financial assets measured at amortized cost, decreased by 30.2% to RMB5,076.7 million (2019: RMB7,273.7 million), accounting for 6.7% (2019: 9.2%) of the Group's revenue. As mentioned above, if the provision for impairment of goodwill and intangible assets of RMB2,559.9 million was excluded, administrative and other operating expenses when expressed as a percentage of the Group's revenue should be 6.0% in 2019. Taking this into comparison, there was an increase of 0.7 percentage points in 2020 compared to that of 2019. The increase was mainly due to the active donation of cash and dairy products during the Epidemic.

## **Profit from Operating Activities and Net Profit**

During the year, the Group's earnings before interest, taxes, depreciation and amortization ("EBITDA") decreased by 22.0% to RMB5,779.3 million (2019: RMB7,404.8 million) and EBITDA margin was 7.6% (2019: 9.4%). The decrease was mainly due to a gain arising from disposal of Junlebao of RMB3,331.8 million and provision for impairment of goodwill and intangible assets of RMB2,559.9 million, resulting in a net gain of RMB771.9 million recorded in 2019, and an increase in operating expenses in 2020 as mentioned above.

Profit attributable to owners of the Company decreased by 14.1% to RMB3,525.0 million (2019: RMB4,105.4 million). Basic earnings per share decreased by 14.5% to RMB0.897 (2019: RMB1.049).

## **Income Tax Expenses**

In 2020, the Group's income tax expenses amounted to RMB653.2 million (2019: RMB1,309.5 million), representing a year-on-year decrease of 50.1%, primarily due to the income tax expenses of RMB533.3 million on gain arising from the disposal of Junlebao, a subsidiary of the Company in 2019. The effective income tax rate was 15.7% (2019: 23.4%), down by 7.7 percentage points year-on-year, mainly due to the impairment of goodwill and impairment of other intangible assets included in the previous year which were non-deductible items.

## **Capital Expenditure**

For the year ended 31 December 2020, the Group's capital expenditure amounted to RMB6,116.2 million (2019: RMB11,532.3 million), representing a year-on-year decrease of 47.0%. RMB4,414.3 million was spent on building new production facilities and modifying existing ones and related investments, while RMB1,701.9 million was invested in equities.

## **Working Capital, Financial Resources and Capital Structure**

For the year ended 31 December 2020, the Group recorded net cash inflow from operating activities of RMB5,347.7 million (2019: RMB6,307.2 million), representing a decrease of 15.2% when compared with the previous year.

As at 31 December 2020, the Group's outstanding interest-bearing bank and other borrowings decreased to RMB18,944.3 million (31 December 2019: RMB23,472.8 million), of which interest-bearing bank and other borrowings repayable within one year amounted to RMB4,924.4 million (31 December 2019: RMB13,838.2 million). More than 90% of the interest-bearing bank and other borrowings were bearing interest at fixed rates.

Net borrowings (total amount of interest-bearing bank and other borrowings net of cash and bank balances) of the Group as at 31 December 2020 amounted to RMB7,547.2 million (31 December 2019: RMB16,996.6 million).

The total equity of the Group as at 31 December 2020 amounted to RMB37,247.6 million (31 December 2019: RMB33,347.3 million). The debt-to-equity ratio (total amount of interest-bearing bank and other borrowings over total equity) of the Group was 50.9% (31 December 2019: 70.4%).

Finance costs of the Group for the year were RMB572.3 million (2019: RMB644.2 million), or approximately 0.8% when expressed as a percentage of revenue (2019: 0.8%).

## **PRODUCTS**

Leveraging its advantage in resources and globally advanced technologies, Mengniu focused on product differentiation and premiumization, which in turn drive further sales volume growth and industry leadership underpinned by superior products. During the year, Mengniu adopted a consumer-oriented production development concept of DTV (Design to Value) to introduce products that perfectly meet the demands of consumers. The Group's product lines had been streamlined to reveal the value of its products for the sustainable development of Mengniu.

The principal businesses of the Group are liquid milk, ice cream, milk formula and other products with their performance during the year outlined as below:

### **Liquid Milk**

Revenue amounted to RMB67,751.0 million (2019: RMB67,877.8 million), accounting for 89.1% of Mengniu's total revenue (2019: 85.9%).

### ***UHT Milk***

The *Milk Deluxe* 3.0 era began following the launch of its products in upgraded "DreamCap™" packaging in 2019. In May and June 2020, upgraded organic pure milk and pure milk of "DreamCap™" packaging containing 3.8 g of natural high quality protein and 125 mg of natural calcium per 100 ml have been launched. In satisfying health needs of consumers, the organic pure milk has been awarded dual certifications for organic products from China and the European Union. Such achievements further reinforced the premium position of the *Milk Deluxe* brand.

Mengniu's comprehensive UHT pure milk line includes *Mengniu* pure milk, high-calcium milk, low-fat high-calcium milk and skimmed milk. In August 2020, *Mengniu's* Nutritious and Mellow Enjoyment pure milk series was introduced. The product contains 3.3 g of protein per 100 ml and has a very rich taste.

Key Products:

- *Milk Deluxe*
- *Mengniu* pure milk
- *Student's Milk*
- *Future Star*

### ***Room Temperature Yogurt***

*Just Yogurt's* light cheese flavor yogurt with fruit, introduced a new Xiaomanyao white peach and pomegranate flavored product in April 2020. With pure raw milk, imported Danish lactobacillus and refreshing imported pomegranate juice and peach pulp, the sugar content of this product is 31% less.

Key Products:

- *Just Yogurt* light cheese flavor yogurt
- *Just Yogurt* light cheese flavor yogurt with fruit

### ***Room Temperature Milk Beverage***

During the year, *Zhenguoli Fruit Milk Drink* developed the first series of floral and fruity flavor light lactobacillus drink and launched the sakura and white peach flavor as well as the rose and strawberry flavor in January 2020. The series emphasizes the innovative pairings of “flower + fruit + light lactobacillus drink” made with low-fat lactobacillus.

*Zhenguoli Fruit Milk Drink's* high-end colorful fruit pulp series contains various combination of fruit pulp. It introduced the new “mango + passion fruit” and “peach + raspberry” series during the year.

Key Products:

- *Zhenguoli Fruit Milk Drink*
- *Zhenguoli Fruit Milk Drink* high-end colorful fruit pulp series
- *Zhenguoli Fruit Milk Drink* floral and fruity flavor light lactobacillus drink series

### ***Chilled Yogurt***

*Champion* introduced a new product series in PET bottle in May 2020. The product is produced from 100% raw milk with BB-12 probiotics and prebiotics. Besides, the “*Champion* Yogurt Approved Health Food” series which holds the blue cap is the only yogurt recognized by the Chinese government as a health food in China. The product contains BB-12, a very active Bifidobacterium which can effectively regulate the bacteria population in the digestive system, from Denmark. The *Champion* zero sucrose yogurt series contains no cane sugar, no artificial sweeteners and no preservative.

The *Activia* product series is positioned as a high-end yogurt, with the main features of being a French-style meal replacement and fruit yogurt. Danone *Activia* Smoothie Francais, the first “light meal bottled yogurt”, was introduced in late 2019. The product contains imported fruit pulp with low sucrose content of less than 0.5%, which suits the demand of consumers seeking “controlled sweetness”.

Key Products:

- *Champion*
- *Mengniu* Danish Cheese Flavor Yogurt
- *Mengniu* China Nourishing Nuanyan Yogurt
- *Activia*

### ***Chilled Milk Beverage***

*Yoyi C* LC-37 series launched a new low-sugar product of original flavor in April 2020. Each bottle of the product contains 50 billion active probiotics, zero fat, low sugar as well as high calcium and vitamin D. Enough number of probiotics can remain active to effectively regulate the condition of the digestive system even with the presence of gastric acid and bile and under the body temperature of 37 °C.

Key Products:

- *Yoyi C*
- *Yoyi C* LC-37

## ***Fresh Milk***

Mengniu's *Shiny Meadow* fresh milk was introduced as a premium brand. It is produced using low-temperature membrane concentration technology and Swedish milk fat separation technology, enabling it to retain the highest proportion of natural nutrients in quality fresh milk. In the first half of 2020, the *Shiny Meadow* organic fresh milk was launched, which is produced using pure milk that has been awarded dual certifications for organic standards from China and the European Union and is originated from desert. The milk contains 3.6 g protein and 120 mg original calcium per 100 ml. In December, *Shiny Meadow* launched the Youhu A2  $\beta$ -casein fresh milk from selected ranches with GAP+ certification. The product meets the demand for A2 fresh milk of toddlers changing from drinking formula milk to drinking fresh milk, which helped to consolidate the brand's leading position in the high-end fresh milk market. *Modern Meadow* has released a brand new carton package in the first half of 2020.

Key Products:

- *Shiny Meadow* fresh milk
- *Shiny Meadow* cold brew café latte
- *Modern Meadow* fresh milk

## ***Ice Cream***

Revenue from the ice cream business amounted to RMB2,633.7 million (2019: RMB2,561.4 million), accounting for 3.5% of Mengniu's total revenue (2019: 3.2%).

*Suibian* ice cream has collaborated with the liquor brand *Jiangxiaobai* in launching "Ice Cream for Adults", which, targeted specifically at young consumers and pushed product sales.

The premium ice cream brand *Deluxe* has launched velvet yogurt milk ice cream and pineapple milk ice cream in February 2020. The former is made from mellow milk and is blended with delicious yogurt. The latter contains pineapple pulp and well-selected ingredients that are covered in an elegant black coating.

*Green Mood* has launched two innovative products in January 2020 that feature popular drink flavors, namely red bubble tea flavor ice-cream and cheese and matcha flavor ice-cream. Ingredients such as large natural tapioca pearls and smooth red tea, and rich cheese and refreshing matcha, are used in these products, respectively.

## Key Products:

- *Suibian*
- *Deluxe*
- *Green Mood*
- *Mengniu Ice +*
- *Mengniu* Russian style pure taste milk ice cream

## Milk Formula

Revenue from the milk formula business amounted to RMB4,573.0 million (2019: RMB7,869.7 million), accounting for 6.0% of Mengniu's total revenue (2019: 10.0%). The revenue of Milk Formula business mainly included the revenue from Yashili and Bellamy's.

### *Yashili*

In 2020, Yashili reshaped the brand proposition of *Reeborne* with the launch of *Reeborne* "Breast Milk-like" milk formula series. As the core product series for the year and the future, it is characterized by a lighter flavor and more nutritious ingredients. To cater for different needs of its target customers, the brand launched seven new products in the "Breast Milk-like" powder series, covering mainstream milk powder, organic milk powder and goat milk powder.

By adopting advanced MSD drying technology, *Reeborne* Kieember series is able to retain the active nutrients of its ingredients. With double premium protein, patented OPO structured lipid and highly active CPP and prebiotics that are in the golden ratio, the product provides babies with all kinds of nutrition that can be easily absorbed. *Reeborne* Qinyou organic milk powder adopts the pure organic milk from free-range dairy cows that are grass-fed for 300 days on seven-year clean soil farms in Alps, in a way to provide milk powder with protein content of up to 20% for babies and toddlers. It passes the WIT organic certification and adopts the "One Can, One Code" tracking system to provide quality assurance. *Reeborne* TruYn goat milk powder selects high-quality small molecule goat milk protein and specifically adds rare ingredients such as lactoferrin, the body-friendly OPO structured lipid and prebiotics and probiotics to ensure easy digestion and good absorption for babies. Also available in *Reeborne* "Breast Milk-like" milk formula series are products of different pricing and nutrient contents that address different nutritional needs of babies and toddlers.

## ***Arla***

*Arla*, the world's largest organic dairy producer with over 100 years of brand history, is an authorized purveyor of dairy products to the Danish royal family due to its high quality. The organic milk formula of *Arla Baby & Me* has obtained three major organic certifications and contains high DHA and ARA, prebiotics that are in the golden ratio, and organic whole lactose. As for *Arla Baby & Me Lanxi*, it contains the unique NutriCollab formula featuring premium nutrients such as choline, taurine and nucleotide. In addition, the newly upgraded formula of *Arla Milex* is a Pro Plus nutrition formula that contains OPO structured lipid, BB-12 probiotics, and prebiotics in the golden ratio, hence is able to satisfy those seeking natural products.

### *Nutritional Products*

Yashili's nutritional products include various milk formula products for adults. Apart from the golden series and standard series of *Mengniu* brand adult milk formula, *Youyi* brand adult milk formula and *Zhengwei* brand oatmeal, Yashili continues to launch upgraded and innovative products, such as the *Mengniu* ultra-gold series and platinum series and Yourui series adult milk formula. Moreover, new products were introduced during the year, including *Topconic* milk powder, Nutriall milk formula, fruit oatmeal, M8 children's growth milk formula and skimmed milk formula. The following is the introduction of the key new products:

*Topconic* milk powder, the first healthcare milk powder in China for boosting the immune system, is a high-end series that principally aims to enhance the immunity of consumer groups that have weaker immune system. *Topconic* milk powder mainly contains Bifidobacterium, Lactobacillus acidophilus and Xylooligosaccharides to strengthen the immune system of consumers.

Nutriall milk formula is an imported milk powder suitable for the whole family. Using the milk source from New Zealand that is certified with the New Zealand FernMark, the formula meets various nutritional needs of the whole family, such as calcium, protein, vitamins, soy lecithin and linoleic acid.

M8 children's growth milk formula focuses on the positioning of "promoting digestion and absorption" and the selling-point of "improving appetite". Specially added with Bifidobacterium lactis, Probio-M8, it can facilitate nutrient absorption, and regulate and strengthen the condition of the digestive system. The formula is also specially enhanced with a variety of nutrients, including FOS, GOS, PS, DHA, ARA, lactoferrin, N-acetylneuraminic acid, zeaxanthin and lutein. Rich in calcium and vitamin D, it is an effective formula that supports the growth of children.

Fruit oatmeal is a product targeting young female consumers aged between 18 and 35. Featuring various ingredients such as dried fruit, nuts, milk and rose petals, this product is rich in dietary fiber with low calorie and no added sugar.

### ***Bellamy's***

Bellamy's launched the Chinese-labelled organic baby rice series, which is directly canned in and imported from Australia, in March 2020. It also launched the first super high-end organic A2 milk formula as well as super high-end Mim's Gentle Milk Co™ organic goat milk formula in Australia from May to June. The super high-end organic A2 milk formula series is made from 1% rare organic milk source, and contains BB-12 active probiotics, algae oil DHA and lutein. The super high-end Mim's Gentle Milk Co™ organic goat milk formula series, being awarded Australia dual organic certifications, contains 100% pure goat milk protein, D-Geni-X™ probiotics and prebiotics, and over 20 types of nutrients and a full lactose formula.

In August 2020, Bellamy's launched the Chinese-labelled organic Equi-pure infant milk formula with the addition of nucleotide. The product contains six major nutrients, namely DHA, ARA, choline, taurine, inositol and L-carnitine. In addition, the product has new ingredients of organic GOS/FOS, a combination of prebiotics, which can enhance the protection function of the micro ecosystem of the intestine of infants. Bellamy's also sells other supplementary foods for infants, including organic dried fruits and organic puree.

#### Key Products:

- *Reeborne*
- *Arla Baby and Me*
- *Bellamy's* organic milk powder
- *Bellamy's* organic baby rice

#### **Other Products**

Revenue from other products amounted to RMB1,077.1 million (2019: RMB721.0 million), accounting for 1.4% of Mengniu's total revenue (2019: 0.9%).

## ***Cheese***

During the year, the cheese business division of Mengniu launched 愛氏晨曦 brand, covering cheese products including kid’s cheese, leisure cheese, cheese to go with meals and high-end cheese. Furthermore, the premium cheese brand *Castello* and liquid butter brand *Lurpak* were launched, thereby covering all consumption scenarios. 愛氏晨曦 introduced children’s growth cheese stick in new package with no preservative, artificial flavors and color additives. New products, such as cheese dessert made of imported cheese and free of white sugar with high calcium and high protein content, were also introduced. The cheese dessert offers selections of mango mousse flavor and cheese cake flavor. 愛氏晨曦 also introduced fresh cheese with 100% cheese content, as well as revolutionary room temperature squid flavored cheese snacks so as to address consumers’ demand for healthier and more nutritious cheese options which offer rich flavors.

### **Key Products:**

- 愛氏晨曦 children’s growth cheese stick
- 愛氏晨曦 cheese dessert
- 愛氏晨曦 shredded mozzarella

## **PRODUCTION**

Mengniu deploys its production capacity according to the potential of relevant markets and its own product strategy. As at 31 December 2020, Mengniu had 41 production bases in China, one production base in Australia, New Zealand and Indonesia respectively. It had a total annual production capacity of 9.9 million tons (December 2019: 9.5 million tons).

## **SUSTAINABLE DEVELOPMENT**

In 2020, Mengniu was committed to its vision of “Protecting the Health of Mankind and the Earth” and promoted the integration of its sustainable development plan and the Group’s operation targets in all aspects. In August 2020, Mengniu was selected as one of the constituent stocks of the Heng Seng Corporate Sustainability Index (“HSSUS Index”) and Heng Seng ESG50 index. During the year, Mengniu’s factories that were awarded the title of “National Green Factory” by the Ministry of Industry and Information Technology also increased from 9 at the end of 2019 to 17 at the end of 2020.

Since the outbreak of the COVID-19 virus in 2020, Mengniu has been organizing charity activities under the slogan “Fight Against the Epidemic Courageously, Greatness for China”. The Group donated dairy products to more than 10,000 health care institutions and epidemic prevention organizations to provide nutritional support. Medicare personnel from across the country helping in Hubei were provided with *Milk Deluxe* for free throughout the year. In addition, Mengniu made a prompt donation to aid the establishment of an emergency resources center for epidemic prevention and control in Wuhan following the outbreak of the Epidemic, which organized the delivery of 40.12 million items to Wuhan to ensure epidemic prevention and control supplies. Mengniu also provide support to the partners in the industrial chain who were affected by the Epidemic by providing loans and financial credits, as well as assisting in the arrangement of logistics. Consequently, Mengniu was awarded “The 11<sup>th</sup> China Charity Awards” by the Ministry of Civil Affairs of China for its outstanding contribution during the Epidemic.

During the year, Mengniu strengthened its efforts towards the Environment, the Society and Corporate Governance. The Sustainable Development Committee and Executive Committee on Sustainable Development held their first meeting in the year, which enabled in-depth discussion on issues in relation to “the Environment, the Society and Corporate Governance”, and enhanced the roadmap of its three-year plan, so as to further implement its strategies and strengthen its organisational management. As at end of 2020, Mengniu had a total of 17 “National Green Factories”, an increase of eight when compared with that at the end of 2019. During the year, Mengniu promoted a responsible supply chain by including “Environmental, Social and Corporate Governance” factors in the management of procurement and providing suppliers with ESG training. Mengniu also promoted education in green and low carbon lifestyles by organizing an array of activities including “DingTalk Cloud Planting”, “Earth Hour” and lectures on energy saving and emission reduction, riding on special events, such as Arbor Day, Earth Day and Energy-saving Week. Staff from 56 factories and 850 families have joined these events, which participated 17,073 person-times in total. On 16 September 2020, more than 600 Mengniu employees took part in “Clean Up the World”, a voluntary event, and cleared 1,418 kg of rubbish from 15 km of riverbank. In addition, Mengniu launched a project to replace paper boxes with reusable boxes for chilled yogurt during the year. The project was honored “Golden Apple Reusable Items Design Award” by the 23rd China Plastics Recycling Conference.

In 2020, Mengniu participated in a number of charity events to help alleviate social problems. Mengniu continued its “Inclusive Nutrition Plan” and provided 6.26 million packs of *Future Star* Student’s Milk to more than 0.7 million students from 494 schools across 20 provinces, cities and autonomous regions. Mengniu also supported the “Heroes Legacy Program” launched by the Henghui Charity Foundation in Shenzhen through a donation to provide long-term nutrition and education support for the children of 160 frontline personnel in China who lost their lives in fighting the spread of the Epidemic. Furthermore, Mengniu continued to cooperate with the “Youth Teacher Empowerment

Education Plan”, which provides online training to 1,175 young village teachers in Inner Mongolia, Hebei and Gansu, in order to promote education in villages. In 2020, Mengniu ranked first in the Corporate Social Responsibility Development Index for Dairy Enterprises, by the Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences.

Mengniu has continued its poverty alleviation strategies in 2020, namely “economic poverty alleviation, nutritional poverty alleviation and targeted poverty alleviation”. In regard to economic poverty alleviation, the Group assisted 1.5 million farmers and ranchers in the plantation of silage, alfalfa and oat, directly and indirectly through cooperating with its associated companies such as China Modern Dairy Holdings Ltd., China Shengmu Organic Milk Limited, Inner Mongolia Fuyuan International Industrial (Group) Co., Ltd. and other partners, and help the development of plantation industry in Inner Mongolia. Mengniu’s poverty alleviation achievements were highly regarded by the State Council Leading Group Office of Poverty Alleviation and Development and were recognized as being among the “50 Best Corporate Targeted Poverty Alleviation Programs-Integrated Program” and “50 Best Corporate Targeted Poverty Alleviation Programs-Individual Program”. Mengniu was the only dairy enterprise to have its poverty alleviation programs listed in both categories.

## **HUMAN RESOURCES**

As at 31 December 2020, the Group had a total of approximately 40,626 employees in Mainland China, Hong Kong, Oceania and Southeast Asia, including around 2,919 employees working for Yashili. During the year, the total cost of employees (including the salaries of directors and senior management personnel) amounted to approximately RMB6,290.1 million (2019: RMB7,081.8 million).

In an effort to further enhance its human resources management system, Mengniu developed structural analysis tools during the year to analyze the structure of certain business and functional departments, providing the management with insights and suggestions for effective decision-making. In addition, an effective talent supply chain management process was established. Key personnel assessment was further standardized based on the “LOVE+” model, in which systematic procedures are adopted to identify outstanding internal personnel with the potential to sit in the upper echelon of the company. Moreover, it has been Mengniu’s strategy to extensively train internal personnel while recruiting external talent when necessary. With its insightful staff deployment for strategic segments which have insufficient talent, nurturing of talent pool, establishment of trainee management systems and other initiatives, the Group has continued to increase and improve its human resources.

To further introduce innovative measures to its personnel training system, Mengniu initiated phase two of the “Blue Ocean Plan”, which caters for the nurturing of senior management in each department. In addition, the “Boundary-less” online community learning project was launched in response to the epidemic outbreak, and the Mengniu Marketing Institution was established in 2020. Also, with the continuous optimization of its “Zhide” online learning system and operation, Mengniu was honored as one of the “TOP 10 Chinese Enterprises in Digital Learning” in the BOOAO Awards, which is revered as the Academy Awards of the online learning industry. This honor reflects Mengniu’s success in becoming the benchmark for online learning.

During the year, Mengniu also completed the upgrade of its human resources information system. Looking ahead to 2021, the Group will consolidate this system by carrying out the digital transformation of human resources management, which will result in a digitalized human resources management platform enabling business integration, information sharing, data connection and accurate analysis.

Mengniu has continued to optimize its salary management system, which is performance-based and is aimed at promoting enterprising spirit and facilitating synergies among staff members through reasonable authorization and hierarchical incentives. 8,199,897 restricted shares were granted under the share award scheme and 1,016,887 share options were granted under the share option scheme in 2020. Furthermore, the Group optimized employee benefits during the period through such means as upgrading health check-ups and by adding two-child benefits to enhance the cohesiveness of the Mengniu Team.

## **PROSPECTS**

In 2020, Mengniu flexibly adjusted its business strategy, which enabled it to seize the new market opportunities brought by post-epidemic changes in consumers’ spending habits and evolution of sales channels in China. As such, the Group grew faster and managed higher quality development relative to before the Epidemic hit. During the year, Mengniu upgraded its corporate culture system and laid down a five-year plan. Guided by the new slogan “Creating a new Mengniu by 2025”, it will strive to become corporate culture by 2025 consumer’s first choice, a digitalized & international Mengnium and a Mengnium with strong cultural gene and responsibility.

Regarding product strategies, the Group will pay close attention to the needs of health-conscious consumers and the increasing demand for dairy products. It will continue to focus on developing product categories which are in demand in the market and have high growth potential. The Group will also work hard to create high-end star products that are organic, low in fat and sugar in the nutritional and healthy food categories.

Mengniu will adopt a customer-centric approach, gather ideas from in and outside the the Group via an open and innovative platform to help with swift product and technological innovation and meet personalized needs of consumers. The Group endeavors not only to become a brand that stands for safety, quality and nutritional value, but also one that consumers of all ages cherish. Its aspiration is for Mengniu to be a well-loved brand of the consumer mass and win in particular the acceptance and recognition of the younger generation.

On the front of management upgrade, Mengniu has set up a Digitalization Strategy Management Committee and a Digitalization Strategy Project Team to speed up implementation of its digitalization strategy across the Group. In the future, Mengniu intends to restructure its supply chain, industrial chain, as well as its organizational and operation model, and also business model. Such efforts will equip the Group with digital intelligence, enabling its brand, products and services to reach target consumers. They will also give the Group's industrial chain the ability to evolve and improve on its own and empower the Group to upgrade and become a platform-based ecological enterprise that affords high-quality development.

As for channel strategies, Mengniu will continue to push forward with strategies to help channel penetration with its “Penetration into Towns and Villages” initiative. It will vigorously develop online sales channels including traditional e-commerce, O2O home delivery, WeChat sales and community group marketing. Moreover, it will continue to encourage its different businesses to use the “Smart Network” system to grow their business.

In addition, the Group wants to become an international brand. On top of sourcing deployment, Mengniu also aspires to claim its share in the international market. With an aim to become an influential and international enterprise, Mengniu will strengthen its business in Southeast Asia and Oceania, groom a pool of high-caliber talent with international perspective and develop an internationalized diary industry business model namely the “Mengniu model”. It is the hope of Mengniu that it can replicate its success in branding, product offerings and business operational mode in other countries and regions.

During the year, Mengniu started enhancing its corporate culture, taking on the new mission of “Every drop of nutrition makes every life thrive” and the New vision of “From the grasslands across the world, Mengniu products nourish and are loved by over 2 billion consumers around the world”. Guided by its core values of “consumers are at the heart of all our decisions”, “creative solution wins the future”, “empower and inspire talents to succeed” and “our integrity and honesty support our continued success” and upholding the “born to excel, constantly strive for self-improving” spirit, the Group is advancing towards achieving the goals of its 2025 Strategy. In the next five years, Mengniu will promote its mission, vision and core values to all departments and branches around the world, instilling them into the heart and mind of every employee, that it may become an enterprise with a strong corporate culture, which will transform into impetuses for it to develop and grow.

Moving forward, Mengniu will continue to walk the quality development path in steadfast strides, at its best effort to ensure product and service quality, working by the management philosophy of no compromise on product quality, value and execution. It is committed to providing world-class products and services to consumers around the world. The Group will continue to develop a responsible supply chain and produce dairy products in an environmentally-friendly manner. The Group will make contribution to revitalize the dairy industry in China and facilitate the industry's quality development.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance practices.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code during the year ended 31 December 2020, except that the Company has deviated from the Code Provision A.5.1 with the reasons explained below.

Code Provision A.5.1 of the CG Code provides that an issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company deviates from this provision as less than half of the members of the Nomination Committee are independent non-executive Directors during the year of 2020. The Directors are of the view that during the year ended 31 December 2020, each of Mr. Tim Ørting Jørgensen and Mr. Pascal De Petrini was able to carry out his responsibilities as a member of the Nomination Committee in the best interest of the Shareholders notwithstanding none of them being an independent non-executive director as required under Code Provision A.5.1.

## **SECURITIES TRANSACTIONS OF DIRECTORS**

The Company has adopted, in terms no less exacting than, the standards required by the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. The Directors have confirmed, following the specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group's financial statements for the year ended 31 December 2020.

## **SCOPE OF WORK OF ERNST & YOUNG**

The financial information in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 has been reviewed and agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.268 (2019: RMB0.181) per ordinary share for the year ended 31 December 2020. Upon shareholders' approval at the forthcoming AGM, the proposed final dividend will be paid on or about Wednesday, 23 June 2021 to shareholders whose names appear on the register of members of the Company on Tuesday, 8 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed (i) from Friday, 28 May 2021 to Wednesday, 2 June 2021, both days inclusive, for determining shareholders' eligibility to attend and vote at the AGM, and (ii) on Tuesday, 8 June 2021, for determining shareholders' entitlement to the proposed final dividend, during such periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM of the Company to be held on Wednesday, 2 June 2021, all transfers, accompanied by the relevant share certificates must be lodged with the Company's 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, for registration no later than 4:30 p.m. on Thursday, 27 May 2021.

In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's 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, for registration no later than 4:30 p.m. on Monday, 7 June 2021.

### **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Company at [www.mengniu.com](http://www.mengniu.com) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company will be despatched to shareholders and available at the aforesaid websites in due course.

### **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Mr. Jeffrey, Minfang Lu and Mr. Meng Fanjie; the non-executive directors of the Company are Mr. Chen Lang, Mr. Niu Gensheng, Mr. Simon Dominic Stevens and Mr. Pascal De Petrini; and the independent non-executive directors of the Company are Mr. Jiao Shuge (alias Jiao Zhen), Mr. Julian Juul Wolhardt, Mr. Zhang Xiaoya and Mr. Yau Ka Chi.

### **APPRECIATION**

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support, and to all staff for their hard work and commitment.

By order of the Board  
**China Mengniu Dairy Company Limited**  
**Jeffrey, Minfang Lu**  
*Chief Executive Officer and Executive Director*

Hong Kong, 24 March 2021