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## **UNI-PRESIDENT CHINA HOLDINGS LTD.**

### **統一企業中國控股有限公司**

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 220)**

### **ANNOUNCEMENT OF 2014 INTERIM RESULTS**

- Revenue amounted to RMB12,366.7 million, up by 1.3%
- Group gross margin of 32.5%, down by 1.5 percentage points
- EBITDA of RMB1,208.1 million, down by 5.9%
- Profit attributable to equity holders of the Company of RMB355.4 million, down by 38.2%

The board (the “Board”) of directors (the “Directors”) of Uni-President China Holdings Ltd. (the “Company”) is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2014 (the “Period under Review”). The interim condensed consolidated financial information is unaudited but has been reviewed by the audit committee of the Board (the “Audit Committee”) and PricewaterhouseCoopers, the independent auditor of the Company, in compliance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **ECONOMIC ENVIRONMENT**

With a combination of policies and measures by the Chinese Government aiming at, among others, maintaining growth and adjusting the economic structure, there has been a magnificent success in boosting the domestic demand in 2014. The gross domestic product (GDP) of China recorded a year-on-year increase of 7.4% in the first half of 2014. In particular, the GDP for the second quarter showed a rise of 7.5% as well as an increase in the growth of total retail sales of consumer goods of 0.1 percentage point as compared with the first quarter, exhibiting a steady growth in consumers’ spending. The economic environment for the second half of the year remains complex and uncertain. While there are forces boosting the steady economy recovery, there exists also pressure constraining the rapid development of the economy. Nonetheless, the growth momentum is still believed to have the upper hand and the overall economy is expected to develop steadily with the potential of gaining speed in the second half of the year.

## FINANCIAL RESULTS

During the Period under Review, amid the continuing slowdown in Chinese economic growth, the Group recorded a revenue of RMB12,366.7 million, representing an increase of 1.3% from RMB12,203.9 million for the corresponding period last year. Gross profit for the Period under Review decreased by 3.0% to RMB4,019.9 million, while gross profit margin dipped by 1.5 percentage points to 32.5% from 34.0% for the corresponding period last year. The slight dip in gross profit margin was mainly due to an aggressive increase in the Group's investment in improving its instant noodles for a larger market share. Selling and marketing expenses fell to RMB3,208.4 million (first half of 2013: RMB3,498.2 million), which was attributable to the effective strategy of focusing resources on product and channel development of its instant noodles and beverage businesses in order to maximise the return on investment during the Period under Review. Administrative expenses for the Period under Review amounted to RMB469.1 million (first half of 2013: RMB390.3 million), which was mainly due to an increase in operating expenses in relation to the Group's expansion in operation scale. During the Period under Review, share of profits of investments accounted for using the equity method rose to RMB102.6 million (first half of 2013: RMB48.4 million). Profit attributable to equity holders of the Company dropped by 38.2% to RMB355.4 million during the Period under Review (first half of 2013: RMB574.9 million). Operating profit was RMB416.0 million for the Period under Review, up by 2.2% from the operating profit (after deducting the non-recurring operating profit) of RMB407.0 million for the first half of 2013.

## BUSINESS REVIEW

### Instant Noodles Business

During the first half of 2014, the instant noodles market continued to exhibit a general downward trend. According to Nielsen, the overall sales amount and sales volume of instant noodles declined by 1.9% and 5.9%, respectively, as compared with the corresponding period last year. However, the instant noodles business of the Group maintained its growth during the first half of the year with a revenue of RMB3,939.3 million, representing an increase of 4.3% as compared with the corresponding period last year, at a rate which persistently surpasses the overall level of the industry. Its market share grew steadily during the first half of the year to 17.6%, up by 0.7 percentage point as compared with the corresponding period last year.

Under the Group's focused operation strategy, its key product line, "Lao Tan Pickled Cabbage and Beef Flavoured Noodles (老壇酸菜牛肉麵)", maintained its leading position in terms of both sales amount and market share amid the severe market competition from increasingly similar products, thanks to its product strengths and the Group's marketing and sales efforts. To further increase its product quality and allow consumers to experience the "Authentic Sourness and Crunchiness (正宗的酸爽體驗)", "Uni-President Lao Tan Pickled Cabbage (統一老壇酸菜)" has kept on refining its packaging design and taste ever since its launch. The Group has implemented stringent control on the whole production chain and perfected each of the production procedures spanning from the cultivation and pickling of mustard greens to the production and packaging of the final products. At the commencement ceremony

of the “China Food Safety Publicity Week (全國食品安全宣傳週)” in June 2014, the Group’s pickled cabbage pack production plant in Shifang was formally granted the title of “National Food Science Education Base (全國食品科普教育基地)”, demonstrating recognition of, and reward for, the Group’s achievements in addressing food safety from the relevant government authority in China and the “Policy of Agriculture, Farmer and Rural Area (三農政策)”. In respect of marketing, its endorser, Mr. Wang Han, is the embodiment of its status as the “master in pickled cabbage flavoured instant noodles (酸菜方便麵宗師)” with his lively image as a humourous master. The Group also carried on its well-received pickled cabbage plant visits, in which consumers were invited to visit its plant in Shifang to experience its traditional “Uni-President Lao Tan Pickled Cabbage” traditional production procedures in person. Such activities have spreaded the idea of its “Double Fermentation with Traditional Pickling Jars (傳統老壇·雙重發酵)” by word of mouth among consumers. In view of the increasing popularity of new media among consumers, the Group has stepped up its advertising in Internet media, such as closely cooperated with “iQIYI (愛奇藝)” during the first half of the year by including free VIP coupons for iQIYI video clips in its products as well as placing “Master’s Theatre (宗師劇場)” on its video platform in order to enable consumers to have a double taste and visual experience.

Furthermore, the Group has aggressively launched an upgraded and bonus version of its best-selling “Stewed Beef Flavoured Noodles (紅燒牛肉麵)”, which tastes better with more ingredients, as a new choice for its loyal consumers of “Stewed Beef Flavoured Noodles”. In the first half of 2014, its “Stewed Beef Flavoured Noodles” recorded a substantial increase in sales, particularly in southern China, which has become a new engine of growth. “Stewed Beef Flavoured Noodles” has become another major line of the Group’s instant noodles. With its rising brand equity and maturing business model, the Group will continue to pursue higher market share for “Stewed Beef Flavoured Noodles”.

Following years of development, the Group’s high-end noodles, “Soup Daren (湯達人)”, has begun to grow rapidly and doubled its sales in the first half of the year. Focusing on the quality of the soup and by differentiating the high-end noodles market, after years of channel development, “Soup Daren” has successfully gathered a group of fans among university students and white-collar workers. The Group is gradually expanding the market coverage of “Soup Daren” from first-tier cities to inland cities in order to satisfy the rising need of consumers for quality instant noodles. “Soup Daren” has established a strong foothold for the Group to enter the high-quality and high-end instant noodles market.

According to the “Research Report on the Reputation of China’s Instant Noodles Brands in 2013 (2013 中國方便麵品牌口碑研究報告)” issued by China Statistical Information Services Center (CSISC) under the National Bureau of Statistics on 5 June 2014, the Group topped the chart of the instant noodles brands of China with three segmental championships and the highest overall rating. To leverage on its reputation and consumers’ support, the Group will launch more products that tailor to consumers’ needs. In early August 2014, the Group rolled out a revolutionary and innovative product, “Revolution Noodles (革麵)”, replacing traditional instant noodles ingredients with large real meat and vegetable slices as well as incorporating the Group’s proprietary and patented al dente “Butterfly-style Wide Noodles (蝴蝶寬麵)”, thereby giving consumers unparalleled visual and taste experience. These two revolutionary features of “Revolution Noodles” will deliver perfect eating experience to consumers and trigger a new revolution in the instant noodles market.

## **Beverage Business**

During the first half of 2014, revenue from the Group's beverage business amounted to RMB8,091.9 million. The performance of each major product line under the Group's beverage business is described as follows:

### ***Tea Drinks***

According to Nielsen, the sales amount of the overall Chinese tea drinks market (excluding milk tea) for the first half of 2014 continued a downward trend with a 1.6% contraction as compared with the corresponding period last year, demonstrating a bleak market. The Group's tea drinks business surpassed the overall industry level in the first half of 2014 with a year-on-year rise in revenue of 1.0% to RMB3,489.7 million.

Adhering to a brand-oriented marketing policy, the Group's tea drinks business is constantly improving its product quality while rebuilding its brand images. In 2014, "Uni Ice Tea (統一冰紅茶)" has been reborn as a lemon tea, with double dose of lemon, in a sporty and modern hourglass-shaped bottle. The product line continued its celebrity endorsement campaign featuring Miss Avril Lavigne, an international rock star, under the marketing theme of the year "Double Releases the Real Fun (Double才夠放)", so as to attract more young consumers and exemplify the "Youth Unlimited (年輕無極限)" brand philosophy of "Uni Ice Tea". On the other hand, building on the "Green Cycling (綠色騎行)" event, "Uni Green Tea (統一綠茶)" continued to encourage consumers to experience the nature in "Flexible and Enjoyable Cycling (百變趣味騎行)" activities in 2014 under the marketing theme of the year, "Uni Green Tea – Enjoyable Cycling (統一綠茶 騎出趣)". These activities have enriched the thematic campaign of the year while promoting the brand's tagline of "Experience the Nature (親近自然)", thereby building up a closer bond between the brand and the consumers.

Apart from these top products, the Group has also actively promoted the new "Just Tea (茗茗是茶)" series and "Natural Intuition (植覺)" series to grasp new opportunities brought by the rising requirement of the consumers and the segmentation of the tea drinks market. Radiating from Shanghai, the sugar-free pure tea, "Just Tea" series enhances the brand awareness and recognition of "Just Tea" by using the trendy catchword "Stop Being Pretentious (明明體)". In response to the changes in the concerns and drinking habits of consumers in recent years, the "Natural Intuition" series of plant-based tea entered the southern China market, which has a long history of consuming plant-based drinks, with its innovative functional plant-based tea. Going forward, the Group will actively plan for the future and infiltrate into the northern China market.

In the second half of 2014, "Uni Ice Tea" has launched the thematic activity of "Skateboarding Unlimited in Two Cities: Win Free Drinks for Yours! (來雙城潮趴, 贏全城暢飲)" under its "Skateboarding Unlimited" campaign. This activity features "Skateboarding in Two Cities (雙城潮趴)" among 12 cities since July. In comparison, "Uni Green Tea" will continue its "Experience the Nature (親近自然)" campaign with "Green Cycling". Also commenced in July, "Uni Green Tea – Enjoyable Cycling – Join Flexible Green Cycling (統一綠茶 騎出趣 綠色百變騎行等你來)" was launched in 9 large provinces across China. As for "Just Tea", the core sales channel network has been further strengthened with an integrated marketing effort that combines free drink campaigns and marketing events on the top three e-commerce platforms in China that cater to the current consumption trends. "Natural Intuition" will continue to educate the consumers in the key markets about the philosophy of the brand, and nurture their drinking habit by increasing outdoor advertising, focusing on marketing activities that aim at its target consumers, and optimising its product mix so as to expand this high-margin product line.

Looking ahead, the Group will adhere to its value-oriented marketing policy that concentrates on effective resources allocation and efficient and accurate execution. Through constant refinement and a combination of measures, the Group will differentiate its new products while maintaining the stable growth of its key products, and expand its share in the tea drinks market.

### ***Juice Drinks***

The Group's juice drinks business recorded a revenue of RMB2,166.3 million in the first half of 2014. According to Nielsen, the overall juice drinks market is weakening, in particular for pear juice flavour, which was popular in the past two years, due to the shift in the tasting preference of consumers to lighter and fresher flavours. With full comprehension of the latest consumption trend, the Group has timely developed a quenching new product, "Haizhiyan (海之言)", which has been well received among consumers and has delivered outstanding sales and emerged as the third largest brand of the Group right after "More Orange Juice (鮮橙多)" and "Seasonal Drinks (飲養四季)" since its launch.

Implementing the brand's slogan "More Vitamin C, More Beauty (多C多漂亮)", the "More Juice Series (統一多果汁)" started the "Discover the Beauty of Life (讓漂亮發生)" campaign in 2014 to encourage the youth to enjoy life with self-confidence. In addition, copying the success of "International Beauty Inn (蓋世漂亮會)" in 2013, the Group has organised the "C-girl" beauty contest in 2014, the winner of which will be engaged in a Chinese New Year micro movie of the brand philosophy starring Mr. Jang Keun Suk and Miss Park Shin Hye, endorsers of the "More Juice Series" who are beloved by youngsters.

Adhering to the brand's slogan "Moisten and Soothe Your Heart (一口潤心田)", "Seasonal Drinks" widely disseminated its pleasing experience of "Moisten and Soothe Your Heart" to consumers by coupling with music through being the sole title sponsor of "The Voice – 2014 Campus Tour (中國好聲音校園推介會)" under "The Voice of China (中國好聲音)" and launching the "Uni-President Seasonal Drinks Music Festival – The Voice – Quenching and Soothing Voices (統一飲養四季音樂節 好聲音潤心田)". Supported by its endorsing star, Miss Fish Leong, this tour of dream-come-true musicians helped the Group to expose its brand and gain higher brand equity continuously.

"Haizhiyan" juice drinks was launched in April this year. Mixing Mediterranean sea salt with lemon, "Haizhiyan" creates a uniquely refreshing taste. Coupled with its elegant Maldives blue bottle, "Haizhiyan" does not only satisfy modern consumers' needs for fresh taste, but also "Cooling You Down (海掃酷熱)". It helps absorb water into the body quickly and replenish sodium lost through perspiration. Following its launch with positive consumer and market response, the Group will keep abreast of the market with persistent innovation and advancement and develop products which meets consumer needs.

### ***Milk Tea***

As of June 2014, revenue from the Group's milk tea has grown by 1.3% as compared with the corresponding period of 2013. According to Nielsen, "Uni Milk Tea (統一奶茶)" secured its market leadership with its largest market share.

The scale of the ready-to-drink milk tea market as a whole is still on the rise. Nonetheless, to strengthen its leadership and differentiate itself from other similar products, “Uni Milk Tea” rejuvenated its brand in the second half of 2014 through the launch of “Qing Lan Milk Tea (晴藍奶茶)” as “Good Mood on the Go (好心情隨身帶)”. “Bottle on the Go (隨身瓶)” design is fit for drinking at all circumstances and occasions while milk tea itself is beneficial to both the physiological and psychological needs of the consumers. Therefore, “Qing Lan Milk Tea” delivers not just a bottle of milk tea, but also a bottle of mood booster to the consumers.

Focusing on satisfying consumers’ needs, “Qing Lan Milk Tea” builds a differentiating value-for-money brand. Its first mission in 2014 is to prop up the scale of ready-to-drink milk tea market. The Group has newly engaged Miss Amber Kuo for celebrity endorsement and the shooting of a new commercial for “Qing Lan Milk Tea”. It has also commenced the yearly marketing campaign, “Good Mood on the Go” that seizes every chance of social incidents to boost sales through sales terminals, the Internet and e-commerce channels during the year. An innovative promotion campaign, “Stay Happy Without Complaints for 21 Days (21天好心情不抱怨)”, was launched in colleges jointly with the Communist Youth League of China to promote its brand philosophy among college and university students across China. Its key product, 500 ml “Assam Milk Tea (阿薩姆奶茶)”, penetrated into rural county and township market channels in key provinces. Being the first green tea-based ready-to-drink milk tea in the market with strong Chinese character, “Fried Green Milk Tea (煎茶奶綠)” has recorded a steady growth in sales since its launch and is expected to become the second largest line of ready-to-drink milk tea.

“CITEA (希蒂)”, a new milk tea brand launched by the Group in late 2013, filled its gap in the high-end milk tea market. The extra thick taste of “CITEA” milk tea, with “Hong Kong-style (港式)” and “Matcha (抹茶)” lines, gives consumers a novel and rich experience. To establish a high-quality image, “CITEA” milk tea focused on sales at chain convenient stores in key cities as well as cold distribution channels in 2014.

## ***Coffee***

“A-Ha (雅哈)” coffee continued to build up its high-value and unique image. Emphasising the authentic taste and high quality delivered by the Italian Mocha Pot distillation process, the “Italian Series (意式系列)” placed advertisements in nation-wide topnotch entertainment programmes on regional satellite television for the first time to cover key provincial capitals and coastal cities in order to boost its brand recognition. It also organised Mocha Pot distillation experiencing activities to cultivate the habit of consuming high-quality coffee among consumers. With respect to channel development, the Group has focused on building special sales teams for key cities designated for “A-Ha” coffee to swiftly establish a fast-moving sales network for its coffee drinks.

## ***Bottled Water***

Revenue from the Group's bottled water business for the first half of 2014 surged by 33.3%, which was mainly due to a restructuring of its product portfolio to focus on the mid-to-high-priced natural spring water series, "ALKAQUA". According to Nielsen, the general bottled water market grew by 15.7% during the first half of 2014, and the growth of the Group's bottled water streaked ahead of that of the overall market. Attributable to its unique design and positioning, "ALKAQUA" successfully differentiates itself from other similar products and has won the favour and recognition from its target consumers. Since 2013, the Group has launched activities for the consumers to visit its water sources and plants, and enjoy the natural environment and quality mineral water sources of the water plants. As the economy grows and living standard improves day by day, consumers are more and more demanding with respect to water. To satisfy the affluent consumers in their pursuit of healthy and quality lifestyle, the Group launched "Bama Quan (巴馬泉)" spring mineral water in early 2013. "Bama Quan" is now available in various specialised channels in metropolitan cities so as to cultivate a habit of drinking quality water of a group of mid-to-high-end consumers.

The Group will continue to actively look for quality spring water sources across the country and will gradually establish more garden-like production bases for spring water throughout the country. The first phase of its large-scale natural spring water plant in Changbai Mountain, Jilin is expected to formally commence production by the end of 2014. Together with the Group's existing natural spring water plants and its growing nation-wide sales network, the new plant will boost its sales volume and efficiency and make it one of the leading brands of mid-to-high-priced spring water in China.

According to the "Research Report on the Reputation of China's Beverage Brands in 2013 (2013中國飲料品牌口碑研究報告)" jointly issued by China Statistical Information Service Center (CSISC), Xinhuanet and www.cqn.com.cn (中國質量新聞網), the beverage business of the Group ranked the first in the charts of "Brand Recognition (品牌知名度)", "Quality Approval (品質認可度)" and "Corporate Reputation (企業美譽度)", and won the championship in the "Overall Reputation Index (口碑總指數)". This research objectively monitors and ranks the public reputation of 25 mainstream brands of beverages spanning from carbonated drinks, tea drinks, juice drinks and functional drinks to Chinese herbal teas. This honour will motivate the Group in making further efforts to innovate and offer safer and better products to the consumers.

## FINANCIAL ANALYSIS

### Cash and Borrowings

As at 30 June 2014, the Group had a total cash and cash equivalents of RMB2,615.3 million (31 December 2013: RMB1,413.9 million), among which 97.8% were denominated in Renminbi. As at 30 June 2014, the Group had pledged bank deposit of RMB0 million (31 December 2013: RMB5.9 million). Current assets of the Group amounted to RMB5,539.4 million (31 December 2013: RMB4,507.6 million) with current liabilities of RMB6,502.7 million (31 December 2013: RMB5,336.0 million). Net current liabilities were RMB963.3 million (31 December 2013: RMB828.4 million). During the Period under Review, the Group mainly financed its working capital and capital expenditure by internally generated cash flows, credit facilities from principal bankers, the proceeds from the debt issue of RMB1,000 million notes and the proceeds from the rights issue. As at 30 June 2014, the Group recorded a decrease of RMB469.1 million to RMB5,534.9 million (31 December 2013: RMB6,004.0 million) in its total borrowings, among which 60.9% were repayable over 1 year and 55.0% were denominated in United States dollar. All of the Group's borrowings were at floating interest rates save for the RMB1,000 million notes due in 2016 and the RMB1,000 million notes due in 2017 which were at fixed interest rates of 3.5% and 3.6% respectively. As at 30 June 2014, the Group had secured bank borrowings of RMB0 million (31 December 2013: RMB0 million).

### Financing

In January 2014, RMB1,000 million of 3.6% notes due 2017 (the "Notes") were issued by the Company by way of debt issue solely to professional investors. All of the net proceeds (after deducting the related expenses) have been applied as general working capital. The GreTai Securities Market of the Republic of China has granted approval for the listing of the Notes. Unless previously redeemed or repurchased and cancelled, the Notes will be redeemed at their principal amount on, or nearest to, 23 January 2017.

In June 2014, the Company issued 719,889,000 rights shares at a subscription price of HK\$4.56 per rights share to raise an aggregate gross proceeds of HK\$3,282.7 million. The net proceeds of HK\$3,268.0 million (after deducting the related expenses) were intended to be used as to HK\$388.0 million for the Group's general working capital and the remaining amount for the repayment of some of its short-term, unsecured bank borrowings. The Group believed that the net proceeds from the rights issue will strengthen the Company's financial structure and the Group will, in turn, be financially more resilient.

The Group aims to maintain an appropriate capital structure. On 17 January 2014, Taiwan Ratings Corporation, a credit rating agency, gave a long term credit rating of twAA- to the Group, with "stable" rating outlook on the Group's long term credit rating.



The gearing ratios of the Group as at 30 June 2014 and 31 December 2013 were as follows:

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Total borrowings	<b>5,534,936</b>	6,003,985
<i>Less: cash and cash equivalents</i>	<b><u>(2,615,349)</u></b>	<u>(1,413,929)</u>
Net debt	<b>2,919,587</b>	4,590,056
Total equity	<b><u>10,905,182</u></b>	<u>8,142,168</u>
Total capital	<b><u><u>13,824,769</u></u></b>	<u><u>12,732,224</u></u>
Gearing ratio	<b><u><u>21.12%</u></u></b>	<u><u>36.05%</u></u>

### **Cash Flow and Capital Expenditure**

For the six months ended 30 June 2014, the Group recorded a net increase in cash and cash equivalents of RMB1,201.4 million, mainly comprising net cash inflow from operating activities of RMB1,033.8 million, net cash inflow from financing activities of RMB1,869.1 million, and net cash outflow from investing activities of RMB1,699.0 million. The net cash outflow from investing activities was mainly applied to the expansion in scale of production, establishment of new production base for instant noodles and beverage businesses, and purchase of machinery and equipment for enhancing production capacity in order to satisfy the demand due to the expansion in consumption market and the Group's business growth. During the Period under Review, the Group had capital expenditure of RMB1,774.4 million (for the six months ended 30 June 2013: RMB2,391.9 million).

### **Analysis of Operating Efficiency**

The Group stringently controls and manages the levels of trade receivables, trade payables and inventories. Sales to most customers are made on a delivery on payment basis. Trade receivables are generated from credit sales to credit customers from modern channels (including but not limited to food and groceries stores, stalls and department stores) with credit terms normally ranging from 30 to 60 days. During the Period under Review, net trade receivables increased by RMB169.4 million to RMB717.5 million. The Group's inventories mainly comprised raw and packaging materials, finished goods and low-valued consumables. The inventories turnover days decreased by 4.9 days as compared with 2013 as the finished products were continuously sold well through the sales channels. As at 30 June 2014, the inventories balance decreased to RMB1,040.1 million as compared to the beginning of the year. The Group's trade payables mainly arise from credit purchases of raw materials. During the Period under Review, trade and bills payables increased by RMB87.4 million to RMB1,497.3 million.

	<b>30 June 2014</b>	31 December 2013
Trade receivables turnover days	<b>9</b>	8
Inventories turnover days	<b>28</b>	33
Trade payables turnover days	<b>31</b>	33

## **Financial Management and Policy**

The Group adhered to the principle of financial prudence. It responded to risk factors and moved forward in a steady pace by moderately adjusting its selling and marketing expenses according to the market condition, and increasing capital expenditures to optimise and expand the basic infrastructure. The Group's finance department has formulated financial risk management policies based on the policies and procedures approved by the Board and guided by the executive Directors. These policies are reviewed by the Group's internal audit department regularly. The Group's financial policy aims at reducing impacts of interest rate and exchange rate fluctuations on the Group's overall financial position, as well as minimising the Group's financial risk exposure.

The Group's finance department provides centralised financial risk (including interest rate and foreign exchange risk) and cash flow management, and cost-effective funding for the Group and its members. Most of the Group's functional currencies are Renminbi since majority of the revenues of the Group are derived from its operations in China. Foreign exchange risk may arise from future borrowings from overseas and part of the Group's recognised assets or liabilities, which are denominated in United States dollar and Hong Kong dollar, such as cash and cash equivalents and borrowings. The Group uses foreign exchange forward contracts outside China for risk management and control of the Group's assets and liabilities when interest or exchange rate is uncertain or fluctuates, or whenever suitable. Its policy is not to engage in speculative derivative financial transactions and not to invest the current capital in financial products with significant underlying leverage or risk, including hedge funds or similar instruments.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 June 2014.

## **PROSPECTS**

Maintaining a cautiously optimistic view on the economic development for the second half of 2014, the Group will continue to uphold its focused and streamlined operation strategy, increase its brand building efforts and strengthen its sales network. The Group will also carry on innovation and development in order to satisfy consumers' demand for delicious products of higher value-for-money while spurring industrial advancement.

Food safety is of utmost concern to the Group. It will tighten quality control to ensure that all of its raw materials and production procedures comply with relevant safety standards, so that the consumers can enjoy safe and reliable products from the Group.

Apart from establishing self-owned production bases, the Group will also continue to look for appropriate strategic alliance with reliable partners so as to enable the Group to use its resources more efficiently and create greater returns for the shareholders.

## **HUMAN RESOURCES AND EMOLUMENT POLICY**

As at 30 June 2014, the Group had 37,484 employees. In view of the huge market opportunities for dairy beverages and food production in China in the future, the Group is continuously recruiting professionals and talents. It aims to fulfil the human resources demand arising from the rapid business and production expansion by adopting a more prudent and effective approach in the selection and hiring process. In respect of new grassroots staff, the Group devotes considerable resources in staff training and monitoring their development and progress in a timely manner in order to familiarise them with the working environment and build up team spirit. Meanwhile, the Group recognises the value of its key personnel in maintaining team morale and competitiveness. Both internal promotion and external recruitment are applied to select and promote top employees for vacant positions and attract qualified candidates to join the Group. On the other hand, the Group ensures the continuity of the senior management by grooming management talents with various measures, such as continuous internal training and appropriate job rotation as well as external on-the-job training.

The emolument policy of the Group is to reward its employees and Directors based on their performance, qualifications, competence displayed, market comparables and the performance of the Group. With regard to the Group's emolument policy, the Group has entered into separate employment contracts with its employees regarding the terms on wages and salaries, national allowances, social security benefits, employee benefits, work place safety and hygiene environment, confidentiality of commercial secrets and termination conditions. Apart from those with middle and senior management officers, the term of the employment contracts ranges from one to three years. New employees are subject to a probationary period of two months.

## GROUP RESULTS

The Board of the Company is pleased to announce the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2014.

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

*For the six months ended 30 June 2014*

*(All amounts in thousands of Renminbi unless otherwise stated)*

		Unaudited	
		Six months ended 30 June	
	Note	2014	2013
<b>Revenue</b>	4	<b>12,366,677</b>	12,203,925
Cost of sales		<u><b>(8,346,812)</b></u>	<u>(8,059,211)</u>
<b>Gross profit</b>		<b>4,019,865</b>	4,144,714
Other gains, net		<b>15,225</b>	312,595
Other income		<b>135,166</b>	137,725
Other expenses		<b>(76,751)</b>	(86,270)
Selling and marketing expenses		<b>(3,208,355)</b>	(3,498,157)
Administrative expenses		<u><b>(469,107)</b></u>	<u>(390,298)</u>
<b>Operating profit</b>	5	<b>416,043</b>	620,309
Finance income		<b>44,393</b>	98,163
Finance costs		<u><b>(108,367)</b></u>	<u>(37,556)</u>
Finance (costs)/income – net		<b>(63,974)</b>	60,607
Share of profits of investments accounted for using the equity method		<u><b>102,573</b></u>	<u>48,353</u>
<b>Profit before income tax</b>		<b>454,642</b>	729,269
Income tax expense	6	<u><b>(99,195)</b></u>	<u>(154,419)</u>
<b>Profit for the period, attributable to equity holders of the Company</b>		<u><b>355,447</b></u>	<u>574,850</u>
<b>Earnings per share for profit attributable to equity holders of the Company</b> (expressed in RMB per share)			
– Basic and diluted	7	<u><b>9.80 cents</b></u>	<u>15.97 cents</u>
<b>Dividends</b>	8	<u><b>–</b></u>	<u>–</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

(All amounts in thousands of Renminbi unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2014	2013
<b>Profit for the period</b>	<u>355,447</u>	<u>574,850</u>
<b>Other comprehensive income</b>		
<i>Item that may be reclassified to profit or loss</i>		
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	(3,040)
Fair value losses on available-for-sale financial assets, net of tax	<u>(1,242)</u>	<u>(1,745)</u>
<b>Other comprehensive losses for the period</b>	<u>(1,242)</u>	<u>(4,785)</u>
<b>Total comprehensive income for the period, attributable to equity holders of the Company</b>	<u><u>354,205</u></u>	<u><u>570,065</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

(All amounts in thousands of Renminbi unless otherwise stated)

	<i>Note</i>	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>2,116,490</b>	2,113,888
Property, plant and equipment		<b>11,272,574</b>	10,185,899
Investment properties		<b>248,457</b>	249,365
Intangible assets		<b>16,281</b>	16,571
Investments accounted for using the equity method		<b>1,573,955</b>	1,500,116
Available-for-sale financial assets		<b>190,784</b>	192,026
Deferred income tax assets		<b>225,256</b>	191,718
Other receivables – non-current portion		<b>8,385</b>	10,627
		<b>15,652,182</b>	14,460,210
<b>Current assets</b>			
Inventories		<b>1,040,075</b>	1,513,512
Trade receivables	<i>9</i>	<b>717,486</b>	548,101
Prepayments, deposits and other receivables		<b>1,165,917</b>	1,026,099
Derivative financial instruments		<b>580</b>	–
Pledged bank deposits		–	5,941
Cash and cash equivalents		<b>2,615,349</b>	1,413,929
		<b>5,539,407</b>	4,507,582
<b>Total assets</b>		<b>21,191,589</b>	18,967,792

	<i>Note</i>	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		39,764	34,047
Share premium		4,830,284	2,243,980
Other reserves			
– Proposed dividends		–	183,282
– Others		6,035,134	5,680,859
		<u>10,905,182</u>	<u>8,142,168</u>
<b>Total equity</b>		<b><u>10,905,182</u></b>	<b><u>8,142,168</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		154,965	156,989
Borrowings		3,372,074	5,101,644
Other payables – non-current portion		256,692	230,971
		<u>3,783,731</u>	<u>5,489,604</u>
<b>Current liabilities</b>			
Trade and bills payables	10	1,497,337	1,409,968
Other payables and accruals		2,773,481	2,914,704
Borrowings		2,162,862	902,341
Derivative financial instruments		–	43,274
Current income tax liabilities		68,996	65,733
		<u>6,502,676</u>	<u>5,336,020</u>
<b>Total liabilities</b>		<b><u>10,286,407</u></b>	<b><u>10,825,624</u></b>
<b>Total equity and liabilities</b>		<b><u>21,191,589</u></b>	<b><u>18,967,792</u></b>
<b>Net current liabilities</b>		<b><u>(963,269)</u></b>	<b><u>(828,438)</u></b>
<b>Total assets less current liabilities</b>		<b><u>14,688,913</u></b>	<b><u>13,631,772</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

(All amounts in thousands of Renminbi unless otherwise stated)

## 1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

## 2 Key events

On 23 January 2014, the Group issued 3.6% notes at a principal value of RMB1 billion in Taiwan. The notes have a three-year term and will be fully repayable by 23 January 2017.

On 23 June 2014, the Company implemented a rights issue scheme to raise approximately HKD3,282,694,000 by way of issuing 719,889,000 rights shares at a subscription price of HKD4.56 each.

## 3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2013, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKAS 36 (Amendment) "Impairment of assets" is effective for annual periods beginning on or after 1 January 2014. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) Interpretation 21 "Levies" is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.



**(b) Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group**

		<b>Effective for annual periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014

**(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:**

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

#### **4 Segment information**

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

The executive directors consider the business only from a product perspective as over 90% of the Group's sales and business activities are conducted in the PRC. From a product perspective, management assesses the performance of beverages, instant noodles and others.

The executive directors assess the performance of the operating segments based on segment profit or loss. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

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

The segment information for the six months ended 30 June 2014 is as follows:

	Six months ended 30 June 2014				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>8,091,859</u>	<u>3,939,307</u>	<u>335,511</u>	<u>-</u>	<u>12,366,677</u>
Segment profit/(loss)	620,387	(116,033)	25,026	(113,337)	416,043
Finance cost – net					(63,974)
Share of profits/(losses) of investments accounted for using the equity method	119,173	-	-	(16,600)	<u>102,573</u>
Profit before income tax					454,642
Income tax expense					<u>(99,195)</u>
Profit for the period					<u>355,447</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>485,781</u>	<u>138,405</u>	<u>18,880</u>	<u>32,639</u>	<u>675,705</u>
<b>Capital expenditure</b>	<u>1,297,367</u>	<u>303,302</u>	<u>120,134</u>	<u>53,644</u>	<u>1,774,447</u>
	As at 30 June 2014				
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	11,298,404	3,671,105	278,479	4,369,646	19,617,634
Investments accounted for using the equity method	1,390,324	-	-	183,631	<u>1,573,955</u>
Total assets					<u>21,191,589</u>
Liabilities	2,929,320	1,246,576	82,723	6,027,788	<u>10,286,407</u>
Total liabilities					<u>10,286,407</u>

The segment information for the six months ended 30 June 2013 is as follows:

	Six months ended 30 June 2013				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>8,261,555</u>	<u>3,776,708</u>	<u>165,662</u>	<u>–</u>	<u>12,203,925</u>
Segment profit/(loss)	662,287	(60,314)	12,935	5,401	620,309
Finance income – net					60,607
Share of profits/(losses) of investments accounted for using the equity method	55,116	–	–	(6,763)	<u>48,353</u>
Profit before income tax					729,269
Income tax expense					<u>(154,419)</u>
Profit for the period					<u>574,850</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>380,802</u>	<u>105,967</u>	<u>4,917</u>	<u>25,224</u>	<u>516,910</u>
<b>Capital expenditure</b>					
	<u>2,016,121</u>	<u>284,625</u>	<u>25,268</u>	<u>65,848</u>	<u>2,391,862</u>
	As at 31 December 2013				
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	10,526,599	3,541,663	161,543	3,237,871	17,467,676
Investments accounted for using the equity method	1,276,601	–	–	223,515	<u>1,500,116</u>
Total assets					<u>18,967,792</u>
Liabilities	2,965,611	1,372,883	43,214	6,443,916	<u>10,825,624</u>
Total liabilities					<u>10,825,624</u>

## 5 Operating profit

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months ended 30 June	
	2014	2013
Cost of inventories	6,918,091	6,823,362
Promotion and advertising expenses	1,194,135	1,551,919
Employee benefit expenses, including directors' emoluments	1,509,197	1,492,314
Transportation expenses	584,541	564,492
Depreciation and amortization	675,705	516,910
Operating lease in respect of buildings	101,441	96,482
Provision/(reversal of provision) for impairment of		
– Property, plant and equipment	–	(27)
– Trade receivables	2,747	3,254
Fair value (gains)/losses on derivative financial instruments at fair value through profit or loss	(580)	1,450
(Reversal of)write-down of inventories to net realizable value	(6,684)	1,440
Losses/(gains) from disposal of property, plant and equipment	1,703	(196,499)
Gains from disposal of available-for-sale financial assets	–	(3,040)
Dividend income from available-for-sale financial assets	–	(5,684)
Government grants ( <i>Note</i> )	(14,955)	(110,792)
Subsidy income	(17,742)	(24,117)

*Note:*

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

## 6 Income tax expense

	Six months ended 30 June	
	2014	2013
Current income tax		
– Mainland China corporate income tax (“CIT”)	134,757	191,685
Deferred income tax	(35,562)	(37,266)
	<u>99,195</u>	<u>154,419</u>

### (a) Mainland China corporate income tax

Subsidiaries established in Mainland China are subject to CIT at rate of 25% (2013: 25%) during the year.

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

**(b) Other income tax**

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

Subsidiaries incorporated in Taiwan and Hong Kong are subject to income tax at the prevailing rates of 17% and 16.5% (2013: 17% and 16.5%) respectively.

**7 Earnings per share**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
Profit attributable to equity holders of the Company	<b>355,447</b>	574,850
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>3,627,441</b></u>	<u>3,599,455</u>
Basic earnings per share ( <i>RMB per share</i> )	<u><b>9.80 cents</b></u>	<u>15.97 cents</u>

Diluted earnings per share are the same as basic earnings per share as there are no dilutive ordinary shares.

**8 Dividends**

Dividends in relation to the years ended 31 December 2013 and 2012 amounting to approximately RMB183 million and RMB171 million were paid in June 2014 and June 2013, respectively.

The directors do not recommend an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

**9 Trade receivables**

	<b>30 June</b>	31 December
	<b>2014</b>	2013
Trade receivables		
– third parties	<b>683,768</b>	523,045
– related parties	<u><b>42,762</b></u>	<u>32,171</u>
	<u><b>726,530</b></u>	<u>555,216</u>
<i>Less: provision for impairment</i>	<u><b>(9,044)</b></u>	<u>(7,115)</u>
Trade receivables, net	<u><b>717,486</b></u>	<u>548,101</u>

The credit terms granted to customers by the Group are usually 60 to 90 days. At 30 June 2014, the ageing analysis of trade receivables is as follows:

	<b>30 June 2014</b>	31 December 2013
Trade receivables, gross		
– Within 90 days	<b>678,999</b>	518,024
– 91-180 days	<b>46,669</b>	35,832
– 181-365 days	<b>837</b>	554
– Over 1 year	<b>25</b>	806
	<u>726,530</u>	<u>555,216</u>

## 10 Trade and bills payables

	<b>30 June 2014</b>	31 December 2013
Trade payables		
– third parties	<b>1,065,971</b>	1,240,400
– related parties	<b>431,366</b>	169,568
	<u>1,497,337</u>	<u>1,409,968</u>

At 30 June 2014, the ageing analysis of trade and bills payables is as follows:

	<b>30 June 2014</b>	31 December 2013
Trade payables		
– Within 180 days	<b>1,480,183</b>	1,392,232
– 181 to 365 days	<b>11,183</b>	11,720
– Over 1 year	<b>5,971</b>	6,016
	<u>1,497,337</u>	<u>1,409,968</u>

## **AUDIT COMMITTEE REVIEW**

The Audit Committee comprises Mr. Fan Ren-Da, Anthony, Mr. Chen Sun-Te, Mr. Lin Lung-Yi and Mr. Lo Peter. Except for Mr. Lin Lung-Yi who is a non-executive Director, the other members of the Audit Committee are independent non-executive Directors. The Audit Committee reviewed with the management accounting principles and practices adopted by the Group and discussed financial reporting matters. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014 and has recommended their adoption by the Board.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Period under Review.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2014.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY**

The 2014 interim report of the Company will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange and the Company’s website ([www.uni-president.com.cn](http://www.uni-president.com.cn)) in due course. The interim condensed consolidated financial information set out above does not constitute the Company’s statutory financial statements for the six months ended 30 June 2014 but is extracted from the condensed consolidated financial statements for the six months ended 30 June 2014 to be included in the 2014 interim report.

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

8 August 2014

*As at the date of this announcement, the Board comprised Mr Lo Chih-Hsien, Mr Hou Jung-Lung and Mr Chen Kuo-Hui as executive Directors; Mr Lin Lung-Yi and Mr Su Tsung-Ming as non-executive Directors; and Mr Chen Sun-Te, Mr Fan Ren-Da, Anthony, Mr Yang Ing-Wuu and Mr Lo Peter as independent non-executive Directors.*