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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 2017 INTERIM RESULTS**

- Revenue amounted to RMB10,886.1 million, down by 7.1%
- Group gross margin of 33.6%, down by 3.3 percentage points
- EBITDA of RMB1,538.9 million, down by 14.8%
- Profit attributable to equity holders of the Company of RMB569.6 million, down by 26.5%

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 2017 (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 auditors 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**

In the first half of 2017, against the backdrop of a year-on-year growth rate of 6.9% in the Gross Domestic Product (GDP) of the People’s Republic of China (the “PRC”) and steady growth of national economy, the sales of the beverages industry rebounded and the instant noodles market was also improving gradually. Meanwhile, consumption upgrading continued, with personalized, innovative and upgraded products capturing much attention from young consumers. A variety of featured goods emerged, while a dazzling array of new products were in pursuit of their showcasing opportunities. The new round of trend is sweeping the market. In order to seize opportunities and take a leading position in this industrial transformation, the Group must gain insights into consumer trends and respond in a prompt manner.

## **FINANCIAL RESULTS**

The Group has recorded a revenue of RMB10,886.1 million during the Period under Review, representing a decrease of 7.1% as compared with the corresponding period last year, which was mainly due to the ongoing operation reform of the beverages business since the second half of 2016, where sales rhythm was adjusted based on the seasonal demand for beverages, giving rise to the significant difference as compared to the corresponding period last year. Gross profit decreased to RMB3,659.5 million with gross profit margin decreased by 3.3 percentage points to 33.6% from 36.9% for the corresponding period last year, which was mainly due to, amongst others, the increase in the prices of the bulk purchases of raw materials. Selling and marketing expenses of the Group for the Period under Review decreased to RMB2,581.2 million (first half of 2016: RMB2,966.7 million), which was mainly attributable to the fact that the instant noodles business and the beverages business focused on key brands operation and enhanced overall efficiency by effective integration of resources. Administrative expenses for the Period under Review was RMB466.3 million (first half of 2016: RMB512.9 million), representing a decrease of RMB46.6 million as compared to the same period of last year. Operating profit was RMB789.2 million for the Period under Review, decreasing by 16.4% from the operating profit of RMB944.5 million for the first half of 2016.

During the Period under Review, share of profits of investments accounted for using the equity method decreased to RMB1.8 million (first half of 2016: RMB75.9 million), which was mainly due to the absence of investment income from Jinmailang Beverage Corporate Limited (“Jinmailang”) which had been disposed of in the second half of last year. In the corresponding period last year, the Group recorded investment income on interest of Jinmailang of RMB46.1 million, and hence, the recognized investment income for the Period under Review decreased. During the Period under Review, profit attributable to equity holders of the Company was RMB569.6 million, representing a decrease of 26.5% compared with RMB775.2 million of the corresponding period last year.

## **BUSINESS REVIEW**

### **Instant Noodles Business**

The instant noodles business of the Group recorded a revenue of RMB3,954.0 million for the first half of 2017, representing a slight decrease of 1.4% as compared with the corresponding period last year, with its market share for the first half of 2017 at 20.9%, representing an increase of 0.1 percentage point as compared to the corresponding period last year. With the rapid growth of its key brand “Soup Daren (湯達人)”, the Group continued to lead the market segment in which products are sold at RMB5.0 and above and further optimised its product structure, which marked a big step forward in the promotion of industrial upgrading.

The Group's leading product "Uni-President Lao Tan Pickled Cabbage and Beef Flavoured Noodles (統一老壇酸菜牛肉麵)" continued to secure the leading position in the spicy product category. As a pioneer and leader in the product category, the Group's brand "Lao Tan Pickled Cabbage (老壇酸菜)" constantly spurs on to strive for excellence in product competitiveness and consumer experience through certification by the China National Accreditation Service for Conformity Assessment (CNAS) national food testing laboratory. The Group continuously endeavoured to maintain the stability and consistency of traditional flavours by implementing a strict food safety system and patented fermentation technology, so as to further improve product satisfaction and preference, thereby providing consumers with assured and perfect experience of "Authentic Sourness and Crunchiness (正宗酸爽)". In terms of marketing, the Group strived to "Let the Brand Shine and Stand Out (提升品類熱度, 煥發品牌活力)" and kept on implementing the marketing strategy to appeal to the younger target consumer group. During the first half of 2017, the Group cooperated with metropolis, youth and delicacy themed TV series in interacting with the target consumers and constantly hyping brand topics, thereby enhancing brand vitality.

In the first half of 2017, the instant noodles business of the Group focused on promoting the major brand "Soup Daren (湯達人)". As a result, it achieved rapid growth in sales and has become one of the important pillars of the instant noodles business of the Group. With the brand's core value "Nourishing Soup (元氣高湯)" as its marketing slogan, it focused on offering consumers a perfect experience of "Bottoms-up for the Nourishing Soup (元氣高湯, 一碗見底)". In terms of sales coverage, by adhering to the policy of focused operation, the Group expanded into a group of key target cities on a sustainable and orderly basis. In terms of marketing, the Group carried out in-depth interaction with consumers through the video "A New Start Full of Vitality (元氣滿滿新出發)" and by conducting cross-industry cooperation with Douyu (鬥魚), Mobike (摩拜單車), etc. under the theme "Nourishing Soup, Soup Daren Vitalizes Your Life (元氣高湯, 湯達人為生活加元氣)", aiming to establish an amiable and tasteful brand image among the younger generation. Meanwhile, the Group tactfully demonstrated the appeal to rationality and emotion of brand differentiation of "Soup Daren (湯達人)" through online advertisement, sponsorship and product placement.

"Imperial Big Meal (滿漢大餐)" represents the very essence of Chinese traditional cuisine. The tasty soup with various fresh ingredients offers tasteful and uncompromising consumers with high-quality and delicious food experience. Newly launched in March 2017, the "Taiwan Braised Beef and Beef Tendon Noodles (台式半筋半肉牛肉麵)" is pressure-cooked at high temperature and presents consumers with chunks of beef and tendon in amazing flavours. As a representative of mixed noodles from the urban areas, "Mix-up in Town with You (相拌一城)" rolled out "Shanghai Noodles Mixed with Scallion Oil and Soy Sauce (上海蔥油拌麵)" in May 2017, which, coupled with straight noodles, highlights its taste by retaining the features of mixed noodles with scallion oil freshly prepared at noodles restaurants, thereby filling the gap of non-spicy flavour products served under the "Mix-up in Town with You (相拌一城)" brand. This, together with the innovative valve-style drainer cover that ensures easier and more convenient draining of water with patented design, allows consumers to enjoy a different experience of mixed noodles.

Launched in the southwestern region of the PRC in last August and characterised by “Tasting Spicy and Numbing, Feeling Fresh and Attractive (辣的清新爽口、麻的唇唇欲動)”, “Uni-President Teng Jiao Beef Noodles (統一藤椒牛肉麵)” impresses consumers with significantly differentiated tastes, and has quickly captured a large number of fans since its debut, inspiring many consumers to share and disseminate on media platforms. This product has been promoted in China’s key markets since 2017 and is expected to become another popular product of the Group.

## **Beverages Business**

The Group adjusted the sales strategy of its beverages business and carried out reform of the traditional operating model since the second half of 2016. In 2017, it pushed forward the strategy thoroughly and consistently and, with reference to the seasonal nature of its products, set sales target based on the actual market demand, orderly adjusted inventory level and optimized sales channels. In the first half of 2017, revenue from the Group’s beverages business amounted to RMB6,598.0 million, representing a decrease of 11.4% as compared with the revenue under the traditional sales model for the corresponding period last year. In the second half of 2017, the Group will continue to develop the beverages business steadily and progressively as planned while establishing new practices for the beverages business, thereby effectively enhancing profitability.

### ***Tea Drinks***

The Group adjusted the sales strategy of the tea drinks business since the second half of 2016 by taking into account the seasonal factors when determining sales targets. In 2017, it continued to implement the existing policy and based its sales plan on reasonable inventory level in sales channels, as a result, revenue from the Group’s tea drinks business for the first half of 2017 amounted to RMB3,305.7 million.

In 2017, “Classmate Xiaoming (小茗同學)” adopted a new packaging to add fun. The Group targeted popular forms of entertainment among young people and conducted in-depth cooperation with Tencent on content creation for videos, mobile games, music and other platforms, which was advertised mainly through “comic bottles (漫畫瓶)” and the “collect words to win red pockets (集字贏紅包)” campaign. In the second half of the year, the Group will carry on with the theme of “enjoy comic bottles and collect red pockets (漫畫瓶來襲、紅包來集)” while conveying brand message on online platforms such as Tencent, so as to offer the brand experience that combines fun and interests.

By adhering to the brand proposition of “Stay Young for Ever (青春無極限)” in 2017, “Uni Ice Tea (統一冰紅茶)” took advantages of the topics of gaming, comics and animation which were popular among the post-95s and post-00s generations and collaborated with the mobile game sensation “Battle of Balls (球球大作戰)” for in-game advertising and on-campus competition. Meanwhile, it also adopted the “Youth Life Bottles (青春次元瓶)” packaging and organized the “Open the Cap to Win Rare Game Items (揭蓋贏絕版遊戲裝備)” event to add further value to the products and appeal to customers. “Uni Ice Tea (統一冰紅茶)” will continue to target the gamer circle and boost purchase from new consumer groups in the second half of 2017.

In 2017, “Uni Green Tea (統一綠茶)” launched the “GO GREEN! Plant Tree with QR Code (綠色行動 碼上來種樹)” campaign, which incorporated its brand value of “Experience the Nature (親近自然)”. The campaign combined elements appealing to the young generation such as environmental protection, celebrity effects and fan culture, to make use of their consumption power. As celebrities motivated their supporters to plant trees in their names, the fun charitable event was participated by people from all walks of life. In the second half of the year, the Group will focus on specific demographic groups to enhance brand recognition through cooperation with online shows.

In March 2017, the Group introduced a Thai lemon tea product “Taimoxing (泰魔性)”. Following its launch in southern China, the product, which is made of imported natural lemon juice and real tea extracts, became the centre of discussion among customers for its unique Thai flavor, new texture beyond imagination, refreshing packaging and eye-catching brand name. In the second half of 2017, the Group will roll out a series of advertising and giveaway events for more consumers to taste the thrill of the “Irresistibly magic flavour, too good to stop it (太太太魔性, 吸吸吸不停)”, with the aims of offering differentiated tastes and expanding the tea product offerings of the Group.

### ***Juice Drinks***

In 2017, the juice drinks business of the Group adhered to the principle of “focused and streamlined operation (聚焦經營、簡單操作)”. It reviewed its product offerings and removed underperforming products while adjusting the sales strategy based on the Group’s policy. With its “solid and no-rush approach (不浮躁 要紮實)”, the Group’s juice drinks business it recorded a revenue of RMB1,084.0 million in the first half of 2017.

In 2017, “Uni More Juice Series (統一多果汁)” focused on orange-flavoured products and developed the “Uni More Orange Juice (統一鮮橙多)” brand by spreading the brand message of “More Vitamin C, More Beauty (多C多漂亮)”. In the first half of 2017, it rode on the “trend of culture and poetry (文化詩詞風潮)” to launch the “Poems on Bottle Socializing Campaign (漂亮詩詞瓶, 玩轉瓶子社交)”. It also had a crossover with mobile phone brand VIVO, where it combined its media resources and organized the “Bubble Run (趣炫泡泡跑)” major publicity event to capture the attention of young consumers. In view of the public examination period in June 2017, “Uni More Juice Series (統一多果汁)” introduced the new product “Orangeate Plus Pomelo Pulp (鮮橙多加柚)”, which is positioned as a mixture of orange juice, pomelo juice and unique honey pomelo pulp sold at schools and internet cafes. The Chinese name of the product “Pomelo Pulp (加柚)” rhymes with “Cheer Up (加油)” and has been popular among young consumers since the launch.

Focusing on classic lemon flavor products, “Haizhiyan (海之言)” sought to create new consumption scenarios, access to new consumer groups and raise brand awareness in 2017. Centering on the theme of “Drinking Haizhiyan, Instant Refreshing (喝海之言瞬間清爽)”, it targeted the new sports (運動) and tourism (旅遊) consumer communities and joined hands with the website Youku to provoke social discussions on “Refreshing Events (清爽大事件)” through a series of videos on “Refreshing Attitude (清爽態度)” in the first half of the year. Meanwhile, it encouraged new consumers who are sporty to engage in online interaction through “Codoon”, China’s No.1 mobile applications for runners. It also organized the “Take a Refreshing Walk to the Sea (清爽走去大海)” competition, which was registered with the Chinese Athletic Association and live broadcasted online. These initiatives promoted “Refreshing Events (清爽大事件)” in summertime and implanted the idea of “Refreshing (清爽)” in consumers’ mind.

In June 2017, the Group tapped into the carbonated drinks market and launched the fruit flavored vitamin water called “Fighting (打氣)” to the market. The product has a lemon and mint flavor that reminds consumers of Mojito, one of the most classic mocktails in the world. With its cheery brand name and unique sourness of lemon mint, the product has become very popular among consumers since its launch. Apart from the PET packaging, the Group also developed canned packaging for the catering industry, which allowed the product to become the best pairing drink of a wide range of cuisine and the trendsetter of sparkling drinks.

Looking ahead to the second half of 2017, the Group will continue to focus on the brand development of the juice drinks business. By adopting the innovative advertising and product approach, it will pursue a healthy and steady growth as planned.

### ***Combined Drinks Business***

#### *Milk Tea*

In the first half of 2017, the milk tea business of the Group recorded an increase in revenue of 10.3%. According to Nielsen’s data, the overall milk tea market has gradually recovered. The Group had a market share of 72.1% in the first half of 2017, up 1.0 percentage point as compared to the corresponding period last year. Outperforming the overall market, it had secured a leading position in the industry.

The major brand “Assam Milk Tea (阿薩姆奶茶)” stayed attached to the core value of “Smooth and Good Mood (順滑好心情)” and shared stories of “Good Mood (好心情)”. In 2017, the Group launched the “Good Mood Everywhere (大好心情, 說來就來)” campaign and the “Fly with Dialects and Travel with Good Mood (讓方言帶你飛, 讓心情去旅行)” to interact with consumers, which aimed at spreading “Good Mood (好心情)” with messages on the bottles and cheering up consumers.

Under the main theme of “True Milk, True Tea for True Love (真奶真茶 真愛暖暖)”, “Assam Small Milk Tea (阿薩姆小奶茶)” carried on boosting sales of instant milk tea in winter by highlighting its distinctive core value of “True Milk, True Tea (真奶真茶)”. The Group also invited “Sharing Popo (雪鈴兔波波)” in the new round of advertising campaign. Seizing the opportunities of winter festivals, it cooperated with popular mobile applications and points of sales to boost brand image.

#### *Aqua More*

“Aqua More (水趣多)” went on the theme of “Interest Your Boringness (趣你的乏味)” and focused on the operation in core cities of the PRC in the first half of 2017. Adopting Augmented Reality (AR) and other fun approaches, it effectively communicated with consumers within major e-commerce communities. In the second half of the year, it will explore the market in an orderly fashion and bring new and fun experience to consumers in popular shopping communities and water parks.

## *Others*

### *Coffee*

In the first half of 2017, the revenue of the coffee business of the Group showed a slight increase of 0.6% compared with the corresponding period last year. Meanwhile, “A-Ha (雅哈咖啡)” furthered its brand position on “Enjoy the Good Taste and Chat Happily (對味喝、愉快聊)”. In the first half of 2017, it launched the “Chat Therapist (大咖治聊師)”, which garnered unparalleled response from consumers through video game and the performance of celebrity Mr. Talu Wang (王大陸).

In the second half of 2017, “A-Ha Iced Coffee (雅哈冰咖啡)” will expand its market nationwide. It will launch the “Meet Coffee and Chat Happily (邂逅愛聊咖)” campaign and interact with consumers through creative puzzle challenge and live online broadcast. Furthermore, it will offer limited edition festival packaging for Christmas and New Year that coupled with fun and interactive messages to engage consumers with aesthetics, texture and humor, and introduce them to a feast for eyes and palate.

### *Bottled Water*

Water makes up approximately 70% of human body. As water quality affects health, people are paying increasing attention to healthy drinking. The Group kept focusing on the operation of its bottled water business under two main brands of natural mineral water, namely “ALKAQUA (愛誇)” and “Bama Quan (巴馬泉)”. In the first half of 2017, revenue generated from the bottled water business grew by 9.9% as compared to the corresponding period last year.

“ALKAQUA (愛誇)” continued to engage superstar Mr. Wang Kai (王凱) as its brand spokesperson and devoted resources to spokesperson activities and performances. Through such activities and performances, it communicated the brand value of “appearance accounting for 30% and inner beauty accounting for 70% (30%靠顏值, 70%是內在)” and highlighted the stylish and simplistic brand image of “ALKAQUA (愛誇)”. In terms of product packaging, it had a crossover and launched limited edition that received good response from consumers and led to a collecting trend following that of the “seven colors bottle (七彩瓶)”. In 2017, it added a 6-bottle packaging, thereby providing more convenient products for different consumption occasions.

In the second half of 2017, the Group will hold fan meetings for Mr. Wang Kai (王凱) to showcase the brand image of “ALKAQUA (愛誇)” from different angles and facilitate in-depth interaction with consumers. The integration of e-commerce, online video and cinema in advertising will also raise product profile while boosting sales. The Group is set to offer the premium natural mineral water that meets the consumers’ expectation and the No. 1 choice for quality living.

## FINANCIAL ANALYSIS

### Cash and borrowings

As at 30 June 2017, the Group had a total cash and bank balances of RMB2,996.3 million (31 December 2016: RMB2,463.2 million), among which 96.7% were denominated in Renminbi and 2.9% were denominated in United States dollars. As at 30 June 2017, the Group had no restricted bank deposit. Current assets of the Group amounted to RMB5,156.8 million (31 December 2016: RMB5,674.6 million) with current liabilities of RMB6,140.1 million (31 December 2016: RMB7,542.6 million). Net current liabilities was RMB983.3 million (31 December 2016: RMB1,868.0 million). During the Period under Review, the Group mainly financed its working capital and capital expenditure by internally generated cash flows. As at 30 June 2017, the Group's total financial liabilities was RMB1,796.1 million (31 December 2016: RMB2,600.2 million), among which 27.8% were repayable over 1 year. 100% of the Group's total financial liabilities was denominated in Renminbi. As at 30 June 2017, all of the Group's financial liabilities bore floating interest rates save for the RMB500 million notes due in 2017 and the RMB500 million notes due in 2019, which were at fixed interest rates of 3.5% and 3.9% per annum respectively. As at 30 June 2017, the Group did not have any secured bank borrowings (31 December 2016: Nil).

### Financing

The Group aims to maintain an appropriate capital structure. Taiwan Ratings Corporation, a credit rating agency, issued a press release about the Group's credit rating on 26 June 2017, and upgraded the Group's long term credit rating from "twAA-" to "twAA", with its rating outlook standing at "Stable (穩定)". The gearing ratios of the Group as at 30 June 2017 and 31 December 2016 were as follows:

	<b>30 June 2017</b>	31 December 2016
	<b>RMB'000</b>	RMB'000
Total borrowings	<b>1,796,100</b>	2,600,169
Less: cash and time deposits	<b>(2,996,312)</b>	(2,463,201)
Net debt	<b>(1,200,212)</b>	136,968
Total equity	<b>12,488,686</b>	12,040,111
Total capital	<b><u>11,288,474</u></b>	<b><u>12,177,079</u></b>
Gearing ratio ( <i>Note</i> )	<b><u>(10.63%)</u></b>	<b><u>1.12%</u></b>

*Note:* The gearing ratio is computed as the net debt divided by the sum of total equity and net debt.



## Cash flow and capital expenditure

For the six months ended 30 June 2017, the Group recorded a net increase in cash and cash equivalents of RMB192.2 million, mainly comprising net cash inflow from operating activities of RMB909.2 million, net cash outflow from financing activities of RMB921.3 million, and net cash inflow from investing activities of RMB204.3 million. The net cash inflow from investing activities was mainly attributable to the redemption of financial assets that became due from the banks. During the Period under Review, the Group had capital expenditure of RMB386.0 million (for the six months ended 30 June 2016: RMB640.8 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 60 to 90 days. During the Period under Review, as the purchase from credit sales clients increased due to seasonal factors, net trade receivables increased by RMB150.9 million to RMB693.8 million (31 December 2016: RMB542.9 million). The Group's inventories mainly comprised raw and packaging materials, finished goods and low-cost consumables. The inventories turnover days decreased by six days as compared with 2016, which was attributable to the change of operating model, adjustment of inventory level and orderly optimization of sales channels. As at 30 June 2017, the inventories balance decreased by RMB165.5 million to RMB1,049.0 million (31 December 2016: RMB1,214.5 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 payables increased by RMB412.0 million to RMB1,550.2 million (31 December 2016: RMB1,138.2 million).

	<b>30 June 2017</b>	31 December 2016
Trade receivables turnover days	<b>10</b>	9
Inventories turnover days	<b>28</b>	34
Trade payables turnover days	<b>33</b>	31

## **Financial management**

The Group adheres to the principle of financial prudence. It seeks to control risk variables and moves forward prudently by moderately adjusting its selling and marketing expenses according to market condition, and making appropriate capital expenditures to optimise and expand the 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. During the Period under Review, the Group established regional sharing centres of accounting functions and set up a regional finance center and a settlement center, with a view to improving capital efficiency and accounting treatment effectiveness.

### **Treasury policy**

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products and not to invest current capital in financial products with significant underlying leverage or risk, including hedge funds or similar financial products. The Group did not have any significant bank borrowings or carry out other financing activities in the capital market as it had stable balance of cash income and expenditure during the Period under Review.

Most of the Group's receipts and payments are denominated in Renminbi since the majority of its revenue is derived from operations in the PRC. The Group may use foreign exchange forward contracts, when appropriate, for risk aversion when it is exposed to foreign exchange risk arising from assets or liabilities, such as cash and cash equivalents and borrowings, which are denominated in other currencies.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 June 2017.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the six months ended 30 June 2017, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

## **SIGNIFICANT INVESTMENT**

As at 30 June 2017, the fair value of the Group's available-for-sale financial assets decreased by 0.5% to approximately RMB224.3 million from RMB225.5 million as at 31 December 2016, which was due to the fair value changes of listed securities.

## **CHARGES ON GROUP ASSETS**

The Group did not have any charges on group assets as at 30 June 2017.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **PROSPECTS**

In 2017, the Group adjusted the sales rhythm of its beverages business and maintained appropriate inventory level at channels according to seasonal market demands, aiming to provide consumers with fresher products and better flavours. Under the new operating model, all staff strived progressively to meet the established objectives, and maximised the Group's profitability for each quarter through appropriate sales rhythm and making changes to the previous and outdated industry practice. The Group's concerted efforts in this regard will continue in the second half of 2017. While meeting consumer satisfaction, the Group will uphold the spirit of progress through innovation, and continuously promote industrial upgrading, provide high quality products preferred by consumers and focus on brand management to develop its key markets, so as to achieve maximum efficiency in its use of resources.

## **HUMAN RESOURCES AND EMOLUMENT POLICY**

As at 30 June 2017, the total number of employees of the Group was approximately 29,081. The Group adhered to the policies of focused and streamlined operation, and organizational structure and staff structure will be improved on a continuous basis to make the enterprise stronger and more efficient. In terms of recruitment, the Group is streamlining its administration and progressing towards meritocracy. The Group insists on building a team that is robust and strong with mechanisms like systematic trainings, humane care and etc. Internal trainings, regular position transfer, external part-time study and other talent development measures can enhance overall performance and provide talents for important positions of the Group steadily. Meanwhile, internal promotion, performance evaluation and other measures are implemented to keep the current management personnel ambitious and strong. To achieve the Group's annual goals, the Group has set up performance bonuses and incentive schemes to commend and encourage employees at all levels to make outstanding contributions to the Group's business performance. Performance bonuses are distributed on the basis of the Group's overall and business units' earnings and profits objectives, as well as employees' performance reviews.

The Group's remuneration policy rewards employees and Directors based on their performance, qualifications, demonstrated capabilities, market comparable information and the performance of the Group. The Group has entered into employment contract with each of its employees, which covers wages, national allowances, social security benefits, employee benefits, workplace safety and hygiene environment, trade secrets confidentiality obligations and termination conditions. Except for the employment contracts with intermediate and senior management staff, such terms of employment contracts are in compliance with relevant national regulations.

The total employee benefit expenses (including Directors' emoluments) amounted to RMB1,498.0 million during the Period under Review.

## **PRODUCTIVITY STRATEGY**

The Group is committed to its focused strategy of creating brand value, enabling product research and development and innovation and establishing sales channels. We are convinced that along with long term efforts in building brand image, continuous product innovation and extensive sales networks are the keys to meeting consumer demand and allowing us to grow and achieve maximum efficiency continuously. In addition to its own productivity, in light of centralising the usage of resources for maximum efficiency, the Group has long been cooperating with professional beverage OEM factories (including professional OEM manufacturers who are external independent third parties and connected enterprises) to form strategic alliances. As a result, the Group is equipped with flexibility in terms of productivity to a certain extent by outsourcing production activities while maintaining its basic productivity, so that the Group's resources can be fully and most efficiently used in key projects.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2017

(All amounts in thousands of Renminbi unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2017	2016
<b>Revenue</b>	3	<b>10,886,083</b>	11,713,297
Cost of sales		<u>(7,226,633)</u>	<u>(7,388,783)</u>
<b>Gross profit</b>		<b>3,659,450</b>	4,324,514
Other gains, net		<b>1,042</b>	1,860
Other income		<b>215,010</b>	162,754
Other expenses		<b>(38,796)</b>	(65,019)
Selling and marketing expenses		<b>(2,581,172)</b>	(2,966,716)
Administrative expenses		<u>(466,322)</u>	<u>(512,886)</u>
<b>Operating profit</b>	4	<b>789,212</b>	944,507
Finance income		<b>38,934</b>	64,642
Finance costs		<u>(27,566)</u>	<u>(59,677)</u>
Finance income – net		<b>11,368</b>	4,965
Share of profits of investments accounted for using the equity method		<u><b>1,797</b></u>	<u>75,940</u>
<b>Profit before income tax</b>		<b>802,377</b>	1,025,412
Income tax expense	5	<u>(232,736)</u>	<u>(250,173)</u>
<b>Profit for the period, attributable to equity holders of the Company</b>		<u><b>569,641</b></u>	<u>775,239</u>
<b>Earnings per share for profit attributable to equity holders of the Company</b> (expressed in RMB per share) – Basic and diluted	6	<u><b>13.19 cents</b></u>	<u>17.95 cents</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(All amounts in thousands of Renminbi unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2017	2016
<b>Profit for the period</b>	<u>569,641</u>	<u>775,239</u>
<b>Other comprehensive income</b>		
<i>Item that may be reclassified to profit or loss</i>		
Fair value losses on available-for-sale financial assets, net of tax	<u>(1,232)</u>	<u>(2,759)</u>
<b>Other comprehensive losses for the period</b>	<u>(1,232)</u>	<u>(2,759)</u>
<b>Total comprehensive income for the period, attributable to equity holders of the Company</b>	<u><u>568,409</u></u>	<u><u>772,480</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2017

(All amounts in thousands of Renminbi unless otherwise stated)

	<i>Note</i>	<b>Unaudited 30 June 2017</b>	Audited 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>2,192,819</b>	2,221,526
Property, plant and equipment		<b>10,809,152</b>	11,097,233
Investment properties		<b>355,811</b>	365,384
Intangible assets		<b>23,390</b>	29,645
Investments accounted for using the equity method		<b>712,401</b>	730,474
Available-for-sale financial assets		<b>224,296</b>	225,528
Deferred income tax assets		<b>314,414</b>	349,727
Other receivables-non-current portion		<b>7,302</b>	11,280
		<b>14,639,585</b>	15,030,797
<b>Current assets</b>			
Inventories		<b>1,048,992</b>	1,214,527
Trade receivables	8	<b>693,750</b>	542,934
Prepayments, deposits and other receivables		<b>416,550</b>	1,453,968
Cash and bank balances		<b>2,996,312</b>	2,463,201
Derivative financial instruments		<b>1,146</b>	–
		<b>5,156,750</b>	5,674,630
<b>Total assets</b>		<b>19,796,335</b>	20,705,427

	<i>Note</i>	<b>Unaudited 30 June 2017</b>	Audited 31 December 2016
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		39,764	39,764
Share premium account		4,829,899	4,829,899
Other reserves		2,115,699	2,236,765
Retained earnings		<u>5,503,324</u>	<u>4,933,683</u>
<b>Total equity</b>		<u><b>12,488,686</b></u>	<u>12,040,111</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		187,909	191,802
Borrowings		500,000	500,000
Other payables – non-current portion		<u>479,594</u>	<u>430,879</u>
		<u><b>1,167,503</b></u>	<u>1,122,681</u>
<b>Current liabilities</b>			
Trade payables	9	1,550,234	1,138,154
Other payables and accruals		3,223,209	4,044,333
Borrowings		1,296,100	2,100,169
Current income tax liabilities		<u>70,603</u>	<u>259,979</u>
		<u><b>6,140,146</b></u>	<u>7,542,635</u>
<b>Total liabilities</b>		<u><b>7,307,649</b></u>	<u>8,665,316</u>
<b>Total equity and liabilities</b>		<u><b>19,796,335</b></u>	<u><b>20,705,427</b></u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(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 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 1.1 Going concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

## 2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

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

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. This amendment clarifies an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments 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 2017 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2017

(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 2018 and have not been early adopted by the Group:*

		<b>Effective for annual periods beginning on or after</b>
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22 (Amendment)	Consolidated financial statements	1 January 2018
HKAS 28 (Amendment)	Investment in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

### **3 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 through distributors and no revenue 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 2017 is as follows:

	Six months ended 30 June 2017				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>6,597,906</u>	<u>3,953,999</u>	<u>334,178</u>	<u>–</u>	<u>10,886,083</u>
Segment profit/(loss)	667,702	188,253	30,871	(97,614)	789,212
Finance income – net	–	–	–	11,368	11,368
Share of profits/(losses) of investments accounted for using the equity method	<u>2,049</u>	<u>–</u>	<u>–</u>	<u>(252)</u>	<u>1,797</u>
Profit before income tax					802,377
Income tax expense					<u>(232,736)</u>
Profit for the period					<u>569,641</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>504,907</u>	<u>139,227</u>	<u>24,879</u>	<u>39,895</u>	<u>708,908</u>
<b>Capital expenditure</b>	<u>240,963</u>	<u>75,212</u>	<u>13,083</u>	<u>56,713</u>	<u>385,971</u>
	As at 30 June 2017				
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	9,893,341	3,877,486	581,002	4,732,105	19,083,934
Investments accounted for using the equity method	<u>561,837</u>	<u>–</u>	<u>–</u>	<u>150,564</u>	<u>712,401</u>
Total assets					<u>19,796,335</u>
Liabilities	<u>3,023,558</u>	<u>1,993,883</u>	<u>399,541</u>	<u>1,890,667</u>	<u>7,307,649</u>
Total liabilities					<u>7,307,649</u>

The segment information for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June 2016				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>7,447,989</u>	<u>4,010,516</u>	<u>254,792</u>	<u>–</u>	<u>11,713,297</u>
Segment profit/(loss)	942,323	148,661	8,180	(154,657)	944,507
Finance income – net	–	–	–	4,965	4,965
Share of profits/(losses) of investments accounted for using the equity method	<u>74,248</u>	<u>–</u>	<u>–</u>	<u>1,692</u>	<u>75,940</u>
Profit before income tax					1,025,412
Income tax expense					<u>(250,173)</u>
Profit for the period					<u>775,239</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>522,714</u>	<u>144,993</u>	<u>23,480</u>	<u>30,848</u>	<u>722,035</u>
<b>Capital expenditure</b>	<u>491,267</u>	<u>93,626</u>	<u>35,250</u>	<u>20,620</u>	<u>640,763</u>
	As at 31 December 2016				
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	10,578,788	4,118,180	589,972	4,688,013	19,974,953
Investments accounted for using the equity method	<u>559,788</u>	<u>–</u>	<u>–</u>	<u>170,686</u>	<u>730,474</u>
Total assets					<u>20,705,427</u>
Liabilities	<u>3,144,661</u>	<u>1,670,412</u>	<u>324,526</u>	<u>3,525,717</u>	<u>8,665,316</u>
Total liabilities					<u>8,665,316</u>

#### 4 Operating profit

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

	Six months ended 30 June	
	2017	2016
Cost of inventories	6,110,040	6,273,166
Promotion and advertising expenses	845,747	1,054,558
Employee benefit expenses, including directors' emoluments	1,497,985	1,579,417
Transportation expenses	433,918	492,582
Depreciation and amortization	708,908	722,035
Operating lease in respect of buildings	69,330	76,387
Provision for impairment of trade receivables	6,808	2,545
Write-down/(reversal) of inventories to net realizable value	15,453	(8,011)
Losses from disposal of property, plant and equipment	8,269	5,397
Government grants ( <i>Note</i> )	(28,450)	(5,000)
Subsidy income	(76,903)	(39,395)
	<u>6,110,040</u>	<u>6,273,166</u>

*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.

#### 5 Income tax expense

	Six months ended 30 June	
	2017	2016
Current income tax		
– Mainland China corporate income tax (“CIT”)	201,316	248,392
Deferred income tax	31,420	1,781
	<u>232,736</u>	<u>250,173</u>

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

Subsidiaries established in Mainland China are subject to CIT at rate of 25% (2016: 25%) during the year.

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

**(b) Other income tax**

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

Subsidiaries incorporated in Taiwan and Hong Kong are subject to income tax at the prevailing rates of 17% and 16.5% (2016: 17% and 16.5%) respectively.

**6 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>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company	<b>569,641</b>	775,239
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>4,319,334</b>	4,319,334
Basic earnings per share ( <i>RMB per share</i> )	<b><u>13.19 cents</u></b>	<u>17.95 cents</u>

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

**7 Dividends**

Dividends in relation to the years ended 31 December 2016 and 2015 amounting to approximately RMB120 million and RMB168 million were paid in June 2017 and June 2016, respectively.

The directors do not recommend an interim dividend in respect of the six months ended 30 June 2017 (2016: Nil).

**8 Trade receivables**

	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
Trade receivables		
– third parties	<b>673,533</b>	505,932
– related parties	<b><u>36,013</u></b>	<u>47,088</u>
	<b><u>709,546</u></b>	<u>553,020</u>
<i>Less: provision for impairment</i>	<b><u>(15,796)</u></b>	<u>(10,086)</u>
Trade receivables, net	<b><u>693,750</u></b>	<u>542,934</u>

The credit terms granted to customers by the Group are usually 60 to 90 days. At 30 June 2017, the ageing analysis of trade receivables is as follows:

	<b>30 June 2017</b>	31 December 2016
Trade receivables, gross		
– Within 90 days	<b>657,380</b>	511,148
– 91-180 days	<b>43,973</b>	38,986
– 181-365 days	<b>6,658</b>	1,437
– Over 1 year	<b>1,535</b>	1,449
	<u>709,546</u>	<u>553,020</u>

## 9 Trade payables

	<b>30 June 2017</b>	31 December 2016
Trade payables		
– third parties	<b>1,089,326</b>	869,243
– related parties	<b>460,908</b>	268,911
	<u>1,550,234</u>	<u>1,138,154</u>

At 30 June 2017, the ageing analysis of trade payables is as follows:

	<b>30 June 2017</b>	31 December 2016
Trade payables		
– Within 180 days	<b>1,525,961</b>	1,106,807
– 181 to 365 days	<b>16,063</b>	21,323
– Over 1 year	<b>8,210</b>	10,024
	<u>1,550,234</u>	<u>1,138,154</u>

## **AUDIT COMMITTEE REVIEW**

The Audit Committee comprises Mr. Fan Ren-Da, Anthony, Mr. Chen Johnny, Mr. Chen Sun-Te, Mr. Su Tsung-Ming and Mr. Lo Peter. Except for Mr. Su Tsung-Ming who is a non-executive Director, the other members of the Audit Committee are independent non-executive Directors. The Audit Committee has 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 Period under Review 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 “Listing Rules”) 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 listed securities of the Company during the Period under Review.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules to regulate securities transactions of the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the Period under Review.

## **SHARE OPTION SCHEME**

During the Period under Review, no share option has been granted, exercised, cancelled or lapsed under the share option scheme adopted by the Company pursuant to a written resolution passed on 23 November 2007. As at 1 January 2017 and 30 June 2017, no share options was outstanding.



## **CHANGE IN CORPORATE POSITIONS**

With effect from 1 July 2017, Mr. Chen Kuo-Hui (“Mr. Chen”) has been re-designated from an executive Director to a non-executive Director and has resigned as the Chief Financial Officer of the Company. In light of the re-designation of Mr. Chen, Mr. Chen has entered into a letter of appointment as a non-executive Director with the Company for a term of 3 years commencing from 1 July 2017 to 30 June 2020, both days inclusive, subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. According to the letter of appointment, Mr. Chen is entitled to an annual director’s fee of USD7,000 which is determined with reference to his experience and qualification, his duties and responsibilities in the Group, the remuneration standard in the industry and the prevailing market conditions. The service agreement as an executive Director entered into between the Company and Mr. Chen has been terminated by mutual consent with effect from 1 July 2017. Mr. Chen remains to serve as a member of the investment, strategy and development committee of the Board. Please refer to the announcement of the Company dated 21 June 2017 for more details.

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

The Company’s 2017 interim report will be despatched to the shareholders of the Company and made available on the website of The Stock Exchange of Hong Kong Limited 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 Period under Review but is extracted from the condensed consolidated financial statements for the Period under Review to be included in the 2017 interim report.

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

8 August 2017

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

\* *For identification purposes only*