# 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 2008 INTERIM RESULTS**

- Revenue reached RMB5,036.7 million, up by 13.1%
- Group gross margin of 34.3%, up by 0.9%
- EBITDA of RMB552.1 million, up by 16.1%
- Profit attributable to equity holders of the Company of RMB212.2 million, decreased by 18.4%

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

At the beginning of 2008, China experienced its largest snowstorm in 50 years. It seriously affected 19 provinces in the Yangtze River basin, the south of the Yangtze River and the northwest region, hindering railway transportation during the Spring Festival, causing water and power supply interruption and inflation. For the first half of 2008, China's GDP and CPI increased by 10.4% and 7.9%, respectively, against the same period of 2007. Whilst the economy continued to grow rapidly, the pressure of inflation gradually became apparent. Through expanding sales channels and improving sales components of products, revenue of instant noodles in the first half of 2008 increased by 14.7% to RMB1,306.6 million against the same period of 2007 and the beverage business benefited from our previous market planning activities as revenue increased by 13.0% to RMB3,713.9 million against the same period of 2007, which reflects growth in the two major businesses of the Group.

## FINANCIAL RESULTS

For the six months ended 30 June 2008, the Group recorded revenue of RMB5,036.7 million, representing growth of 13.1% from RMB4,453.2 million for the same period in 2007. Revenue from our instant noodles and beverage products amounted to RMB1,306.6 million and RMB3,713.9 million, respectively, representing an increase of 14.7% and 13.0%, respectively, as compared with the same period in 2007 and accounting for 25.9% and 73.7%, respectively, of the Group's total revenue. During the period under review, gross profit increased by 16.4% to RMB1,729.8 million and gross profit margin rose to 34.3% from 33.4% for the same period in 2007. Growth of revenue for the period reflects significant increase in tea drinks operation and market share of the Group, success of the Group's strategy in focusing on the development of the beverage business, which generally supports higher margins, and successful implementation of effective cost control measures, offsetting escalating raw material prices, resulting in increase in overall gross profit. However, as most of the Group entities' functional currency is RMB, and RMB has strengthened by 6% against USD during the period under review, this has resulted in a net foreign exchange loss of RMB127.8 million for the six months ended 30 June 2008 (compared to first half of 2007 where net foreign exchange gain was RMB5.7 million) from recognized assets of the Group denominated in USD and HKD, such as cash and cash equivalent and other current financial assets. As a result, profit attributable to equity holders of the Company decreased by 18.4% to RMB212.2 million (RMB260.1 million for the same period in 2007). Management has undertaken a variety of measures to mitigate foreign currency risk, including but not limited to import of equipment and raw materials from overseas market directly and lending foreign currency funds to domestic subsidiaries. During the period under review, earnings per share were RMB5.90 cents (first half of 2007: RMB8.67 cents). Excluding the foreign exchange losses, the Group has had a strong performance during the period under review. As revenue increased, total operating expenses and overall staff costs of the Group also increased. Selling and marketing expenses increased by 12.9% to RMB1,220.8 million for the period under review (first half of 2007: RMB1,081.5 million) and administrative expenses also rose to RMB141.5 million (first half of 2007: RMB118.4 million), representing an increase of 19.5% compared with the same period in 2007. In addition, financing costs increased to RMB132.8 million (first half of 2007: RMB13.4 million) due to RMB appreciation and foreign exchange loss.

## BUSINESS REVIEW

### Juice Drinks

For the six months ended 30 June 2008, revenue from juice drinks amounted to RMB1,232.8 million (first half of 2007: RMB1,440.6 million), representing a decrease of 14.4% for the same period in the previous year, accounting for 24.5% of the Group's total revenue. Revenue decreased in the first half of 2008 largely because sales for larger pack juice drinks products generally peak during the Spring Festival but the largest snowstorm in 50 years had significantly reduced the number of people returning home during the Spring Festival. As a result, consumption of large pack fruit juices which promotes the concept of "sharing with joy" decreased, resulting in temporary fall in our results. With our prominent brands and products, sales picked up rapidly in March and April. After entering into peak season for beverage sales in the second quarter in 2008, we co-operated with China Southern Airlines to kick off a large scale nationalwide marketing activity "統一鮮橙多2008中國新空姐招募大匯", with roadshows and television programs launched across the nation. This significantly enhanced our brand's reputation and sales. Sales increased in May and June as the effect of such promotional activities began to be realized and we expect our results will continue to have positive growth in the second half of the year. The product diversification sales strategy, implemented since 2007, meant that besides focusing on the main product of the "More" brand of orange juice drink (鮮橙多), the "More" brand of peach juice drink (蜜桃多) also became a new major promoting flavour. After a year of strong promotion, the "More" brand of peach juice drink has secured a leading position in first-and second-tier cities in the PRC. In addition, ready-to-drink quality tomato juice products have been promoted in major coastal cities since 2008 and have been well-received by the market which allows the Group to tap into the healthy consumer diet market.

**Tea Drinks**

For the six months ended 30 June 2008, revenue from tea drinks reached RMB2,159.8 million (first half of 2007: RMB1,616.8 million), representing an increase of 33.6% from the same period in 2007. The growth in revenue was mainly attributable to the growing health consciousness amongst consumers. The new bottle packaging and logo design of Uni-President "Iced" brand and green tea introduced in the beginning of the year was well-received by the market. To support the increased penetration of the Group's sales network, Uni-President tea drinks (including its green tea and "Iced" brand) were advertised during primetime on CCTV from March to June 2008 and the awareness of such products increased. Revenue from the "Iced" brand performed well with an increase of 42.1% in the first half of 2008. The sugar-free organic green tea began to achieve stable consumer support in a number of first-tier cities and the Group believes that with the gradual change of consumers' drinking habits, the product will have great potential in the future.

**Instant Noodles**

Revenue from instant noodles recorded RMB1,306.6 million in the first half of 2008, a slight increase from the RMB1,139.5 million for the same period in 2007, accounting for 25.9% of the Group's total revenue. In face of the continuing increase in price of raw materials, notwithstanding the negative impact on the short-term revenue, the Group has insisted on devoting and accelerating the optimization and adjustment of its products mix, and shifting to introducing high value products.

During the period under review, the sales portfolio of instant noodles changed significantly. Increase in revenue from the "Gan Cui Mian" (干脆麵), "Lai Yi Tong" (來一桶) and "Qiao Mian Guan" (巧麵館) brands has offset the decrease in revenue from the "Good Economy" (好勁道) brand. The shift in emphasis to sales of mid and high priced brands has helped to alleviate the impact of higher costs of raw materials. After the introduction of the "Qiao Mian Guan" (巧麵館) brand in Central China at the end of last year, sales for the first half of 2008 was satisfactory.

As the sole sponsor of instant noodles for the 2008 Beijing Olympic Games, the Group conducted a series of Olympic-related activities in the first half of the year by giving out Olympic Games tickets as gifts for consumers. The focus of such promotional activities was our bowl noodles, with the aim of increasing the proportion of sales of middle to high priced bowl noodle products in order to achieve optimization of our product mix. During the first half of the year, through the establishment of sales points in major transportation hubs such as railway stations and together with a series of Olympic-related promotional activities to promote our middle to high priced bowl noodle products, our results achieved significant growth.

During the 2008 Beijing Olympic Games, the Company provided instant noodle products for qualifying round and official round matches, with the aim to using the Olympic Games as a platform for us to promote our high quality instant noodles to consumers who came to watch the games. The Company has also launched the TV advertisement "統一方便麵前進奧運篇"during May to August in order to further promote our brand image and results.

**Prospects**

We expect the second half of 2008 to be another challenging period for the Group. To facilitate tapping into market opportunities and staying ahead of the intense competition, the Group will continue to adhere to its business strategies of focusing on innovation and R&D and strengthening quality management, thereby seizing more opportunities in the fast growing PRC consumer market.

The Group aims to reduce reliance on major raw materials to reduce the impact of rising raw material prices. It will also continue to adjust the positioning of its instant noodle products from targeting low-end markets to higher end market segments, thereby creating an optimized product mix and enhanced competitiveness. For the beverage segment, heeding the rising demand for better quality products amongst Chinese consumers who are enjoying improving living standards and are becoming more health-conscious, the Group will build on the foundation of existing products to develop and provide more new healthy and nutritious beverage products to consumers. Our aspiration is to become a leading beverage and food product platform in the PRC and maintain stable growth in our results.

**Financial Position**

As at 30 June 2008, the Group had approximately RMB3,144.2 million in cash and cash equivalent (31 December 2007: approximately RMB3,411.9 million). Current assets amounted to approximately RMB4,620.6 million (31 December 2007: approximately RMB4,340.3 million) and current liabilities were approximately RMB1,700.4 million (31 December 2007: approximately RMB1,754.8 million). Contingent liabilities were approximately RMB251.3 million (31 December 2007: approximately RMB150.3 million). With net current assets of approximately RMB2,920.2 million, the Group maintained strong liquidity. The Group's total borrowings comprised bank borrowings of approximately RMB81.2 million (31 December 2007: approximately RMB296.2 million), all of which were repayable within one year. The gearing ratios at 30 June 2008 and 31 December 2007 were as follows:

| | **30 June 2008** *RMB million* | **31 December 2007** *RMB million* |
|---|---|---|
| Total borrowings | **1,654.9** | 1,730.3 |
| Less: cash and cash equivalent | **(3,144.2)** | (3,411.9) |
| Net debt | **(1,489.3)** | (1,681.6) |
| Total equity | **5,652.0** | 5,184.8 |
| Total capital | **4,162.7** | 3,503.2 |
| Gearing ratio | **(35.8%)** | (48.0%) |

As at 30 June 2008, the Group had not created any charges on its assets.

## TREASURY POLICY

The Group has consistently exercised financial prudence, and it continued to enjoy a strong financial standing during the period under review with low gearing and a net cash position. The Group financed its operations and business development primarily with a combination of internally generated resources and banking facilities provided by its principal bankers. The borrowings of the Group were used by its subsidiaries and were interest-bearing loans. As large amount of cash in bank were denominated in foreign currencies, the Group has adopted appropriate methods to mitigate currency risks.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2008, the Group had 18,097 employees. The Group enters into individual employment contracts with its employees, covering remuneration, statutory subsidies, social security welfare, employee benefits, workplace safety and hygienic conditions, confidentiality obligations and termination conditions. Except for employment contracts with middle and senior management staff, our employment contracts have a term of one to three years, while the probation period of new employees is two months. To enhance the skills and techniques of our management staff and other employees, we will continue to increase investment in continuing education and training schemes. We arrange internal and external on-the-job training for our employees to improve their skills and techniques. The scope of training programmes ranges from basic production methods, to advanced skills training and the professional development of management staff.

## GROUP RESULTS

Uni-President China Holdings Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

*For the six months ended 30 June 2008*

(All amounts in thousands of Renminbi unless otherwise stated)

| | *Note* | **Six months ended 30 June 2008 Unaudited** | 2007 Audited combined |
|---|---|---|---|
| **Revenue** | *5* | **5,036,742** | 4,453,182 |
| Cost of sales | *6* | **(3,306,954)** | (2,967,278) |
| **Gross profit** | | **1,729,788** | 1,485,904 |
| Other (losses)/gains, net | | **(8,693)** | 4,087 |
| Other income | | **23,728** | 17,115 |
| Selling and marketing expenses | *6* | **(1,220,792)** | (1,081,531) |
| Administrative expenses | *6* | **(141,536)** | (118,448) |
| **Operating profit** | | **382,495** | 307,127 |
| Finance income | | **41,934** | 8,634 |
| Finance costs | | **(132,754)** | (13,410) |
| Finance costs-net | *7* | **(90,820)** | (4,776) |
| Share of losses of jointly controlled entities | | **(8,482)** | (13,400) |
| **Profit before income tax** | | **283,193** | 288,951 |
| Income tax expense | *8* | **(71,017)** | (28,840) |
| **Profit for the period** | | **212,176** | 260,111 |
| **Profit attributable to equity holders of the Company** | | **212,176** | 260,111 |
| **Earnings per share for profit attributable to the equity holders of the Company** (expressed in RMB per share) | | | |
| – Basic | *9* | **5.90 cents** | 8.67 cents |
| – Diluted | *9* | **5.90 cents** | 8.67 cents |
| **Dividends** | *10* | **–** | – |

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

*As at 30 June 2008*

(All amounts in thousands of Renminbi unless otherwise stated)

| | Note | 30 June 2008 Unaudited | 31 December 2007 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land | | **173,975** | 158,438 |
| Property, plant and equipment | | **1,850,679** | 1,889,691 |
| Intangible assets | | **29,254** | 56,258 |
| Interests in jointly controlled entities | | **226,900** | 235,382 |
| Deferred income tax assets | | **54,310** | 43,895 |
| Available-for-sale financial assets | | **406,930** | 231,164 |
| | | **2,742,048** | 2,614,828 |
| **Current assets** | | | |
| Inventories | | **596,192** | 567,087 |
| Trade and bills receivables | *11* | **326,968** | 239,536 |
| Prepayments, deposits and other receivables | | **346,777** | 121,760 |
| Other current financial assets | | **205,773** | – |
| Pledged bank deposits | | **723** | – |
| Cash and cash equivalents | | **3,144,181** | 3,411,868 |
| | | **4,620,614** | 4,340,251 |
| **Total assets** | | **7,362,662** | 6,955,079 |

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)**
*As at 30 June 2008*
(All amounts in thousands of Renminbi unless otherwise stated)

| | *Note* | **30 June 2008 Unaudited** | 31 December 2007 Audited |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **34,047** | 33,370 |
| Share premium | | **2,241,980** | 1,960,248 |
| Other reserves | | **2,064,224** | 2,091,829 |
| Retained earnings | | **1,311,712** | 1,099,380 |
| **Total equity** | | **5,651,963** | 5,184,827 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred government grants | | **7,990** | 8,673 |
| Deferred income tax liabilities | | **2,345** | 6,813 |
| | | **10,335** | 15,486 |
| **Current liabilities** | | | |
| Trade and bills payables | *12* | **602,032** | 471,218 |
| Other payables and accruals | | **951,140** | 916,660 |
| Borrowings | | **81,200** | 296,175 |
| Other long-term liability – current portion | | **20,551** | 46,192 |
| Current income tax liabilities | | **45,441** | 24,521 |
| | | **1,700,364** | 1,754,766 |
| **Total liabilities** | | **1,710,699** | 1,770,252 |
| **Total equity and liabilities** | | **7,362,662** | 6,955,079 |
| **Net current assets** | | **2,920,250** | 2,585,485 |
| **Total assets less current liabilities** | | **5,662,298** | 5,200,313 |

*Notes:*

**1 General information**

Uni-President China Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 4 July 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and sale of beverages and instant noodles in the People's Republic of China (the "PRC") (the "PRC Beverages and Instant Noodles Businesses").

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

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB"), unless otherwise stated, and was approved for issue by the Board of Directors on 21 August 2008.

**2 Group reorganisation**

The ultimate holding company of the Group is 統一企業股份有限公司 (Uni-President Enterprises Corporation) ("Uni-President"), a company whose shares are listed on the Taiwan Stock Exchange Corporation. Prior to the establishment of the Company, Uni-President operated the PRC Beverages and Instant Noodles Businesses and other businesses, including the production of flour, edible oils, animals feeds, aquatic and livestock products, trading and retailing of food and carbonated beverages (collectively "Other Businesses") in the PRC through various subsidiaries. The Other Businesses have been managed separately from the PRC Beverages and Instant Noodles Businesses.

To prepare for the global offering and listing of the Company's shares, Uni-President conducted a reorganisation of the PRC Beverages and Instant Noodles Businesses (the "Reorganisation"). Pursuant to the Reorganisation, which was completed on 20 July 2007, the PRC Beverage and Instant Noodles Businesses were transferred to the Company such that the Company became the holding company of the companies now comprising the Group.

The Reorganisation involved companies under common control. Accordingly, the condensed combined interim financial information of the Group for the six months ended 30 June 2007 has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and present the results and cash flows of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the six months ended 30 June 2007.

**3 Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

**4 Accounting policy**

Except as described below, the accounting policies adopted are consistent with those for the annual financial statements for the year ended 31 December 2007, 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.

The following new standards, amendments to standards or interpretation are mandatory for the first time for the financial year beginning 1 January 2008, all of which are not relevant to the Group.

- HK(IFRIC)-Int 11, 'HKFRS 2 – Group and treasury share transactions'

- HK(IFRIC)-Int 12, 'Service concession arrangements'

- HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

*Relevant to the Group:*

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. It is not expected to have a material impact on the Group's financial statements, as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. It is not expected to have a material impact on the Group's financial statements, as the present operating segments were already identified on the basis of internal reports reviewed by the decision maker.

- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 amendment from 1 January 2009, but it is not expected to have material impact on the Group's financial statements.

- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and jointly controlled entities the Group.

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact under the revised disclosure requirements of this standard.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. The Group is assessing the impact of this accounting standard and it is not expected to have a material impact to the Group's financial statements.

*Not relevant to the Group:*

- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

## 5 Revenue and Segment information

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format, as over 90% of the Groups sales and business activities are conducted in the PRC.

The Group's operations are mainly organised under two principal business segments: manufacturing and sale of beverages and instant noodles.

The segment results for the six months ended 30 June 2008 are as follows:

| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
|---|---|---|---|---|---|
| Revenue | **3,713,851** | **1,306,627** | **16,264** | **–** | **5,036,742** |
| Segment profit/(loss) | **459,863** | **(9,046)** | **(10,800)** | **(57,522)** | **382,495** |
| Finance costs-net | | | | | **(90,820)** |
| Share of losses from jointly controlled entities | **(8,482)** | **–** | **–** | **–** | **(8,482)** |
| Profit before income tax | | | | | **283,193** |
| Income tax expense | | | | | **(71,017)** |
| Profit for the period | | | | | **212,176** |

The segment results for the six months ended 30 June 2007 are as follows:

| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
|---|---|---|---|---|---|
| Revenue | 3,286,006 | 1,139,534 | 27,642 | – | 4,453,182 |
| Segment profit/(loss) | 363,298 | (9,371) | (11,004) | (35,796) | 307,127 |
| Finance costs-net | | | | | (4,776) |
| Share of losses from jointly controlled entities | (13,400) | – | – | – | (13,400) |
| Profit before income tax | | | | | 288,951 |
| Income tax expense | | | | | (28,840) |
| Profit for the period | | | | | 260,111 |

Other segment terms included in the income statements are as follows:

| | Six months ended 30 June 2008 | | | | |
|---|---|---|---|---|---|
| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
| Depreciation and amortisation | **99,224** | **71,728** | **4,710** | **2,461** | **178,123** |

| | Six months ended 30 June 2007 | | | | |
|---|---|---|---|---|---|
| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
| Depreciation and amortisation | 102,704 | 75,499 | 1,841 | 1,963 | 182,007 |

Unallocated costs represent corporate expenses.

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months then ended are as follows:

| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
|---|---|---|---|---|---|
| Assets | **2,316,452** | **930,157** | **18,824** | **3,870,329** | **7,135,762** |
| Interests in jointly controlled entities | **226,900** | **–** | **–** | **–** | **226,900** |
| Total assets | | | | | **7,362,662** |
| Total liabilities | **1,131,040** | **414,158** | **10,214** | **155,287** | **1,710,699** |
| Capital expenditure | **109,118** | **15,378** | **4,928** | **225** | **129,649** |

The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months ended 30 June 2007 are as follows:

| | **Beverages** | **Instant noodles** | **Others** | **Unallocated** | **Group** |
|---|---|---|---|---|---|
| Assets | 1,936,546 | 979,338 | 38,192 | 3,765,621 | 6,719,697 |
| Interests in jointly controlled entities | 235,382 | – | – | – | 235,382 |
| Total assets | | | | | 6,955,079 |
| Total liabilities | 924,321 | 450,417 | 14,871 | 380,643 | 1,770,252 |
| Capital expenditure | 89,272 | 32,061 | 810 | 15,129 | 137,272 |

Segment assets consist primarily of leasehold land, property, plant and equipment, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables, and mainly exclude deferred income tax assets, available-for-sale financial assets, other current financial assets, pledged bank deposits and cash and cash equivalents.

Segment liabilities comprise deferred government grants, other long-term liability, trade and bills payables, other payables and accruals, and exclude items such as deferred income tax liabilities, current income tax liabilities and borrowings.

Capital expenditure comprises additions to leasehold land, property, plant and equipment and intangible assets.

## 6 Expenses by nature

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| Raw materials, packaging materials and consumables used | **2,568,347** | 2,356,225 |
| Purchased commodity used | **260,011** | 157,234 |
| Changes in inventories of finished goods | **40,984** | 60,089 |
| Promotion and advertising expenses | **618,474** | 572,845 |
| Employee benefit expenses | **451,148** | 336,320 |
| Transportation expense | **244,626** | 221,879 |
| Amortisation of leasehold land | **1,832** | 1,602 |
| Depreciation of property, plant and equipment | **148,662** | 152,902 |
| Amortisation of intangible assets | **27,629** | 27,503 |
| Travelling expenses | **36,140** | 25,596 |
| Operating lease in respect of land and buildings | **28,281** | 23,218 |
| Property tax and other taxes | **8,814** | 5,971 |
| Reversal of provision for impairment of property, plant and equipment | **–** | (435) |
| Write-down/(reversal of write-down) of inventories to net realisable value | **530** | (1,790) |
| Provision/(reversal of provision) for impairment of trade receivables | **377** | (1,806) |
| Machinery maintenance expenses | **54,893** | 42,554 |
| Water and electricity expenses | **48,738** | 49,324 |
| Manufacture outsourcing expenses | **67,304** | 64,126 |
| Others | **62,492** | 73,900 |
| Total | **4,669,282** | 4,167,257 |

## 7 Finance costs-net

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| Interest expenses on borrowings | | |
| – Bank borrowings | **4,927** | 19,073 |
| Net foreign exchange losses/(gains) | **127,827** | (5,663) |
| Finance costs | **132,754** | 13,410 |
| Finance income – interest income on cash and cash equivalent | **(41,934)** | (8,634) |
| Finance costs-net | **90,820** | 4,776 |

Most of the Group entities' functional currency is RMB since majority of the revenues of these entities are derived from operations in Mainland China. Foreign exchange risk arises when the recognised assets, such as cash and cash equivalent and other current financial assets which comprise of proceeds from the global initial public offering, are denominated in Hong Kong dollar ("HKD"), United States dollar ("USD") and other foreign currencies. During the six months ended 30 June 2008, the large foreign exchange losses mainly arise from the cash and cash equivalent and other current financial assets denominated in foreign currencies.

## 8 Income taxes

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| Current income tax | | |
| – Mainland China enterprise income tax ("EIT") | **81,089** | 60,525 |
| Deferred income tax | **(10,072)** | (31,685) |
| | **71,017** | 28,840 |

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

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for 2008 is 17% (the estimated tax rate for the first-half of 2007 was 10%). This increase is mainly due to the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which took effective from 1 January 2008. According to the new CIT Law, the EIT for both domestic and foreign investment enterprises should be unified at 25% effective from 1 January 2008, and during a transitional period, enterprises that are currently enjoying qualified preferential tax treatments granted by relevant tax authorities can continue to enjoy the lower EIT rate and gradually transfer to the new EIT rate within five years after the effective date of the new CIT Law.

## 9 Earnings per share

### Basic

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.

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| Profit attributable to equity holders of the Company | **212,176** | 260,111 |
| Weighted average number of ordinary shares in issue (thousands) | **3,595,055** | 3,000,000 |
| Basic earnings per share (RMB per share) | **5.90 cents** | 8.67 cents |

In determining the weighted average number of shares in issue for the six months ended 30 June 2008, a total of 3,000,000,000 shares issued at the incorporation of the Company are deemed to have been issued since 1 January 2007.

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

## 10 Dividends

The directors do not recommend an interim dividend in respective of the six months ended 30 June 2008 (2006: Nil).

## 11 Trade and bills receivables

| | As at | |
|---|---|---|
| | **30 June** | 31 December |
| | **2008** | 2007 |
| Trade receivables from independent third parties | **339,182** | 250,822 |
| Less: provision for impairment | **(13,742)** | (13,573) |
| Trade receivables from independent third parties, net | **325,440** | 237,249 |
| Trade receivables from related parties, net | **1,078** | 1,837 |
| Bills receivable from independent third parties | **450** | 450 |
| Trade and bills receivables, net | **326,968** | 239,536 |

The credit terms granted to customers by the Group are usually 60 to 90 days. At 30 June 2008 and 31 December 2007, the ageing analysis of trade receivables is as follows:

| | As at | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| Trade receivables, gross | | |
| – 0-90 days | **309,053** | 213,210 |
| – 91-180 days | **17,953** | 27,565 |
| – 181-365 days | **8,450** | 9,518 |
| – Over 1 year | **4,804** | 2,366 |
| | **340,260** | 252,659 |

## 12 Trade and bills payables

| | As at | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| Trade payables | | |
| – to independent third parties | **579,890** | 437,347 |
| – to related parties | **19,878** | 31,316 |
| | **599,768** | 468,663 |
| Bills payable | | |
| – to independent third parties | **2,264** | 2,555 |
| | **602,032** | 471,218 |

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables is as follows:

| | As at | |
|---|---|---|
| | **30 June 2008** | 31 December 2007 |
| Trade payables | | |
| – 0 to 180 days | **587,408** | 460,600 |
| – 181 to 365 days | **6,590** | 5,394 |
| – Over 1 year | **5,770** | 2,669 |
| | **599,768** | 468,663 |

## AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The unaudited interim results for the six months ended 30 June 2008 have been reviewed by PricewaterhouseCoopers in accordance 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. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2008 and has recommended their adoption by the Board.

## COMPLIANCE WITH THE CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with all the core provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008

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

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2008.

## PUBLICATION OF INTERIM REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The 2008 interim report will be dispatched to shareholders as well as made available on The Stock Exchange of Hong Kong Limited website and the Company's website at http://www.upch.com.cn.

The 2008 interim financial information set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2008 but is extracted from the financial statements for the six months ended 30 June 2008 to be included in the 2008 interim report.

*As at the date of this announcement, the Board of Directors of the Company consists of Mr. Lo Chih-Hsien and Mr. Lin Wu-Chung as executive directors, Mr. Kao Chin-Yen, Mr. Lin Chang-Sheng, Mr. Lin Lung-Yi and Mr. Su Tsung-Ming as non-executive directors and Mr. Chen Sun-Te, Mr. Fan Ren-Da, Anthony, Mr. Hwang Jenn-Tai, Mr. Yang Ing-Wuu and Mr. Lo Peter as independent non-executive directors.*