

Interim Report | 中期報告
2010



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)

(一家於開曼群島註冊成立的有限公司)

(Stock Code 股份編號: 220)



SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock Code: 220)

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COMPANY SECRETARY

Mr. Ngai Wai Fung

AUDIT COMMITTEE

Mr. Fan Ren-Da, Anthony (*Chairman*)
Mr. Chen Sun-Te
Mr. Lin Lung-Yi
Mr. Lo Peter

NOMINATION COMMITTEE

Mr. Fan Ren-Da, Anthony (*Chairman*)
Mr. Lo Chih-Hsien
Mr. Lo Peter

REMUNERATION COMMITTEE

Mr. Chen Sun-Te (*Chairman*)
Mr. Lin Chang-Sheng
Mr. Yang Ing-Wuu

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Industrial and Commercial Bank of China
China Construction Bank
China Merchants Bank

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISERS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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The board of directors (the “Board”) of Uni-President China Holdings Ltd. (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2010. The condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company and PricewaterhouseCoopers, the independent auditor of the Company, 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.

ECONOMIC ENVIRONMENT

In the first half of 2010, the government of the People’s Republic of China (“PRC”) carried out a series of plans to accelerate the shift in and structural reform of the country’s economic development in response to the global financial crisis. In the first half of 2010, the gross domestic product (GDP) of the PRC recorded a year-on-year growth of 11.1%, which was 3.7% higher than that of the first half of last year, despite the drop in growth rate of 1.6% from 11.9% in the first quarter to 10.3% in the second quarter. The economy continued to grow at a relatively fast pace in the early half of the year. The consumer price index (CPI), producer price index (PPI) and total sales of consumer products rose by 2.6%, 6.0% and 18.2% respectively, as compared with the first half of last year. Overall, the national economy exhibited a healthy growth under the guidance of the government’s macro-economic control measures, notwithstanding the slower growth rate of the second quarter in comparison to the first quarter.

FINANCIAL RESULTS

For the half year ended 30 June 2010 (the “period under review”), the Group recorded revenue of RMB6,163.6 million, representing an increase of 36.6% from RMB4,512.2 million for the first half of last year. During the period under review, gross profit increased by 12.3% to RMB2,123.0 million and gross profit margin dropped 7.5 percentage points from 41.9% for the first half of last year to 34.4%. The increase in gross profit and the decrease in gross profit margin during the period under review were mainly due to the substantial growth in the price of raw materials. Benefitting from the rapid economic growth in the PRC, the Group expanded its customer base by strengthening product promotion, causing selling and marketing expenses during the period under review to increase to RMB1,659.0 million (first half of 2009: RMB1,299.8 million). During the period under review, administrative expenses decreased by 0.8% to RMB170.6 million (first half of 2009: RMB171.9 million), which was mainly attributable to the effective control over the cost of the supporting departments and the enhancement of their operation efficiency that helped us to maintain a stable amount of administrative expenses while expanding our turnover. During the period under review, the bank deposits of the Group were mainly denominated in Renminbi. The net finance income for the period under review increased to RMB26.0 million (first half of 2009: net finance income of RMB19.5 million). During the period under review, the Group recorded a decrease in the share of net profit of jointly controlled entities and associates to RMB28.2 million (first half of 2009: RMB57.7 million) and a sharp drop in profit attributable to equity holders of the Company for the period under review to RMB298.3 million (first half of 2009: RMB426.8 million).



BUSINESS REVIEW

Instant Noodles

During the first half of 2010, the Group continued to adopt its operating strategies implemented in the instant noodles business since the second half of 2008, namely the optimization of its products mix and focusing on the middle to high-end noodles market, which is characterized by higher gross profit and returns. During the period under review, the Group's concerted effort paid to outstanding products, as well as the pooling of marketing resources to develop major products and key markets, has brought momentous growth in revenue of 53.5% as compared to the same period of last year, with revenue of RMB1,470.6 million. Meanwhile, loss has been significantly reduced to RMB12.6 million, a decrease of 52.3% in loss from the same period of last year. Notwithstanding a general rise in prices of raw materials such as palm oil and flour, the Group's gross margin has, nonetheless, decreased slightly from 30.5% for the same period of last year to 29.6%, representing a drop of 0.9 percentage point. The adjustment in products mix has greatly improved the Group's capacity in withstanding the impact of fluctuations in raw material prices.

Ever since its nationwide market introduction, "Lao Tan Pickled Cabbage and Beef (老壇酸菜牛肉)" flavour noodles have achieved satisfactory results and rapid growth. In the first half of 2010, the "Experience the Perfect Sourness and al dente" marketing activity for Lao Tan Pickled Cabbage and Beef noodles was launched and expanded across the nation with marketing booths extending from modern sales channels to special channels, schools and other channels in the community so as to facilitate interaction with consumers. In order to promote the products of the Group among young consumers and cultivate their loyalty to the Group's brand, campus marketing competitions were also held in key regional markets such as central, eastern, southern and southwestern China.

The Group will continue to concentrate on key regional markets and increase its market share. At the same time, it will also expand its market coverage with a view to boosting its results across the country.

Drinks

In the first half of 2010, attributable to the prolific results of the Group's structural reform and streamlined sales channels, the rapid development of its drinks business withstood the impact of the abnormal weather that hit various regions in the PRC. During the period under review, overall sales of drinks amounted to RMB4,593.7 million, representing a growth of 30.1% over the first half of last year, with a segment profit of RMB408.4 million.



Tea Drinks

In the first half of 2010, the rapid growth of this business was brought by the expansion of sales area of the Group's new product, "Jasmine Tea (冰醇茉莉)", to all major markets in the PRC. This product was well-received by young consumers and helped us obtain a share in the jasmine tea market. The scale of tea drinks operation was further enhanced by the fact that existing product segments have adjusted their channel and pricing strategies to better fit the "One More (再來一瓶)" marketing tactics.

The Group has further integrated brand promotion with its corporate social responsibilities. The Group promoted the idea of green, environmental-friendly and low-carbon living among consumers while it marketed United Green Tea (統一綠茶) in the "You Drink, I Plant (你喝綠茶·統一植樹)" event. "Uni Ice Tea (統一冰紅茶)" and the NBA Rockets team collaborated in launching the charity donation campaign "一分百金·為愛灌籃" encouraging the participation by young consumers who are interested in basketball, in which a donation of approximately RMB5 million has been accumulated and applied to the construction of 20 Hope Primary Schools. Meanwhile, the Group and the Yao Foundation will collaborate to establish the "Uni-Yao Foundation (統一•姚基金)" Hope Primary School, and the Group will participate in the 2010 Yao Foundation Charity Tour in the PRC with a view to introducing the healthy brand and corporate images of the Group to more consumers who are concerned with charity, life and health.

Juice Drinks

In the first half of 2010, as a result of effective marketing in the diluted juice market and the wide range of flavour, the Group's revenue from juice drinks recorded a significant growth as compared with the first half of last year.

The juice market showed a trend towards multi- and mixed flavoured juices. The Group's juices grasped the trend and geared towards multi-flavours development. As such, the Group's "Sweet-sour Plum Juice (統一酸梅湯)", as the very first move, launched into the market in northwestern China and attained the expected results. A mixed flavour drink, "Kumquat and Lemon Mix Drink (金桔檸檬)", was also put into the market in key cities, offering more choices to consumers. With the introduction of new flavours and our product diversification policy, the Group's juices will strive for the expansion of market share and the perfection of edges in the industry.

Others

According to the latest information in June from AC Nielson, after the successful launch of "Assam Milk Tea (阿薩姆奶茶)" into the market, the Group's milk tea became the leading brand in the milk tea market with a market share of 41.9%, representing a significant move towards the market diversification in the PRC.

In the first half of 2010, the water business of the Group continued to implement its stated policy to optimize its product mix by gradually increasing the sales of its natural water.

Conclusion

In general, in light of the pressures on the production cost brought by the increasing raw material prices and on the operating cost rise brought by the change in labour supply and demand, the Group continued to expand in the market through its fine product mix and effective sales channels in the first half of the year. The Group recorded a high operating income in the flourishing fast-moving consumer goods market in the PRC. The Group will continue to improve its product combinations and selling strategy, and is optimistic about and looks forward to the operating results for the second half of the year.



FINANCIAL POSITION

As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB2,451.4 million (31 December 2009: approximately RMB3,359.8 million). Current assets amounted to approximately RMB4,894.2 million (31 December 2009: approximately RMB4,492.6 million) and current liabilities were approximately RMB2,442.6 million (31 December 2009: approximately RMB1,679.6 million). Contingent liabilities were approximately RMB219.1 million (31 December 2009: approximately RMB206.8 million). With net current assets of approximately RMB2,451.6 million (31 December 2009: approximately RMB2,813.0 million), the Group maintained strong liquidity. The Group had no bank borrowings as at 30 June 2010 and 31 December 2009. The Group had a negative gearing ratio as its cash and cash equivalents balance is larger than its total borrowings.

	30 June 2010 RMB'000	31 December 2009 RMB'000
Total borrowings	2,357,682	1,649,187
Less: cash and cash equivalents	(2,451,427)	(3,359,788)
Net debt	(93,745)	(1,710,601)
Total equity	6,447,408	6,453,826
Total capital	6,353,663	4,743,225
Gearing ratio (negative)	(1.48%)	(36.06%)

As at 30 June 2010, the Group did not create any charges on its assets.

TREASURY POLICY

The Group has consistently followed its principles of financial prudence even though the impact of the global financial crisis is beginning to wane. Except for the PRC which has resumed its momentum of growth, the economy in many countries has not yet picked up. Against this backdrop of economic uncertainties, the Group's prudential treasury policy has effectively supported its continuous growth. During the period under review, although the prices of most raw materials have increased significantly which resulted in lower gross profit margin, the Group's overall financial position remained sound with a low gearing ratio and net cash position due to the fact that its revenue from operations recorded a double digit growth. The Group financed its operation and business development primarily with a combination of internally generated resources and funds raised through the listing in 2007. The borrowings of the Group were utilized by its subsidiaries and were interest-bearing loans. Since most of the Group's deposits were denominated in Renminbi, its exposure to currency risk was minimal.



PROSPECTS

The PRC government's policies of stimulating domestic demand and strengthening export, coupled with the improvement in the international trade market, have resulted in the stable but relatively fast economic growth as well as increased demand for consumer products in the PRC during the first half of 2010. The development trend in the domestic and export markets of the PRC for the second half of the year will be overcast with uncertainties since the economy in many countries has not fully recovered from the effects of the 2008 financial crisis. However, the Group will seize every market opportunity in the future through various measures, namely to explore new markets while securing the existing ones, strengthen its relationships with distributors and consumers, continue to optimize the products mix and closely control costs in order to raise the profit margin of its products. It will enhance its internal operations, staff quality and financial management so as to improve its cost effectiveness and meet market demand. The quality assurance procedures will be strictly followed with a view to ensuring that the products will satisfy all safety standards. The Group will make every effort to enhance its corporate value, achieve sustainable development and protect the best interests of its shareholders.

HUMAN RESOURCES AND BENEFITS

As at 30 June 2010, the Group had 21,839 employees. The Group enters into individual employment contracts with its employees covering their wages, statutory subsidies, employee benefits, workplace safety and hygienic conditions, confidentiality obligations of trade secrets and termination conditions. Apart from the employment contracts with our middle and senior management, our employment contracts have terms between one to three years, and the probation period for our new employees is one to three months. The Group offers bonus to its staff as a reward for their innovations and improved performance.

To enhance the skills and professionalism of our management staff and other employees, the Group invests in continuing education and training programmes. We have arranged internal and external on-the-job training for our employees to improve their skills and professional knowledge. The scope of these training programmes ranges from basic production procedures to advanced skills training and professional development courses for our management staff.



CONTRIBUTIONS TO EMPLOYEE BENEFITS

Pursuant to the applicable social insurance regulations in the PRC, we provide pension insurance, medical insurance, unemployment insurance and housing provident fund to our employees as required by the local governments. In addition, we maintain employer's liability insurance for our employees and subsidize our staff's additional medical insurance covering outpatient care and hospitalization.

The labour union of the Group is a member of All China Federation of Trade Unions. Our labour union is responsible for organizing the staff's recreational activities and improving the living quality of our employees. Furthermore, the labour union has held meetings to communicate with and receive feedback from our employees in the past few years which directly and indirectly created economic value for the Group. The Group has not experienced any strikes, material labour disputes or industrial actions.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Cayman President Holdings Ltd.	Beneficial owner	2,645,090,000	73.49%
Uni-President Enterprises Corporation ⁽¹⁾	Interest of a controlled corporation	2,645,090,000	73.49%
T. Rowe Price Associates, Inc. and its affiliates	Investment Manager	216,102,000	6.00%

Note:

- (1) Cayman President Holdings Ltd. is a direct wholly-owned subsidiary of Uni-President Enterprises Corporation and therefore, Uni-President Enterprises Corporation is deemed or taken to be interested in the 2,645,090,000 shares which are beneficially owned by Cayman President Holdings Ltd. for the purposes of the SFO.

Save as disclosed above, as at 30 June 2010, no other person had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



SHARE OPTION SCHEME

During the six months ended 30 June 2010, no share option has been granted under the share option scheme adopted by the Company pursuant to a written resolution passed on 23 November 2007.

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 2010. 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 2010.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of associated corporations

Name of corporation and name of its relevant shareholder	Personal Interest	Number of shares Interest of		Corporate Interest	Total	Percentage of shareholding as at 30 June 2010
		child under 18 or spouse				
Uni-President Enterprises Corporation						
Kao Chin-Yen	88,229	143,428	–	231,657	0.01%	
Lin Chang-Sheng	34,515,134	2,403,327	–	36,918,461	0.95%	
Lin Lung-Yi	1,278,470	1,019,089	–	2,297,559	0.06%	
Lo Chih-Hsien	2,837,847	63,605,902	–	66,443,749	1.70%	
Lin Wu-Chung	756	–	–	756	0.00%	

Save as disclosed above, as at 30 June 2010, none of the directors nor the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) to regulate the directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with all the code provisions of the Code on Corporation Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

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 management the 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 2010 and has recommended their adoption by the Board.



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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF UNI-PRESIDENT CHINA HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 32, which comprises the condensed consolidated balance sheet of Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 August 2010



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Unaudited 30 June 2010	Audited 31 December 2009
ASSETS			
Non-current assets			
Leasehold land	7	182,725	184,985
Property, plant and equipment	7	2,419,904	2,174,043
Intangible assets	7	11,929	12,878
Interests in jointly controlled entities and associates	8	786,586	737,177
Available-for-sale financial assets	9	475,576	447,608
Deferred income tax assets		144,951	104,521
		4,021,671	3,661,212
Current assets			
Inventories		661,062	687,988
Trade and bills receivables	10	469,638	272,758
Prepayments, deposits and other receivables		206,149	147,430
Other current financial assets	11	1,103,000	–
Pledged bank deposits		2,908	24,627
Cash and cash equivalents		2,451,427	3,359,788
		4,894,184	4,492,591
Total assets		8,915,855	8,153,803

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET



As at 30 June 2010

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Unaudited 30 June 2010	Audited 31 December 2009
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	34,047	34,047
Share premium	12	2,243,980	2,243,980
Other reserves			
– Proposed dividends		–	352,458
– Others		4,169,381	3,823,341
Total equity		6,447,408	6,453,826
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		23,950	17,119
Deferred government grants		1,879	3,239
		25,829	20,358
Current liabilities			
Trade and bills payables	13	904,307	507,391
Other payables and accruals		1,453,375	1,141,796
Current income tax liabilities		84,936	30,432
		2,442,618	1,679,619
Total liabilities		2,468,447	1,699,977
Total equity and liabilities		8,915,855	8,153,803
Net current assets		2,451,566	2,812,972
Total assets less current liabilities		6,473,237	6,474,184

The notes on pages 18 to 32 form an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
Revenue	6	6,163,574	4,512,200
Cost of sales	14	(4,040,572)	(2,622,526)
Gross profit		2,123,002	1,889,674
Other gains/(losses), net		23,440	(3,184)
Other income		26,420	39,251
Selling and marketing expenses	14	(1,658,989)	(1,299,805)
Administrative expenses	14	(170,571)	(171,934)
Operating profit		343,302	454,002
Finance income		27,099	22,351
Finance costs		(1,083)	(2,823)
Finance income – net		26,016	19,528
Share of profits from jointly controlled entities and associates	8	28,235	57,749
Profit before income tax		397,553	531,279
Income tax expense	15	(99,218)	(104,434)
Profit for the period, attributable to equity holders of the Company		298,335	426,845
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	16	8.29 cents	11.86 cents
Dividends	17	–	–

The notes on page 18 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



For the six months ended 30 June 2010
(All amounts in thousands of Renminbi unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2010	2009
Profit for the period	298,335	426,845
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	60,532	84,140
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	(12,827)	–
Transfer of fair value loss upon reclassification of an available-for-sale financial asset to an associate	–	11,324
Other comprehensive income for the period, net of tax	47,705	95,464
Total comprehensive income for the period, attributable to equity holders of the Company	346,040	522,309

The notes on page 18 to 32 form an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

(All amounts in thousands of Renminbi unless otherwise stated)

	Unaudited Attributable to equity holders of the Company				Total
	Share capital	Share premium	Other reserves	Retained earnings	
Balance at 1 January 2009	34,047	2,243,980	2,087,683	1,376,832	5,742,542
Comprehensive income					
Profit for the period	–	–	–	426,845	426,845
Other comprehensive income					
Fair value gains on available-for-sale financial assets, net of tax	–	–	84,140	–	84,140
Transfer of fair value loss upon reclassification of an available-for-sale financial asset to an associate	–	–	11,324	–	11,324
Total other comprehensive income	–	–	95,464	–	95,464
Total comprehensive income for the period ended 30 June 2009	–	–	95,464	426,845	522,309
Share of pre-acquisition profits and reserves of an associate	–	–	4,226	11,888	16,114
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	–	(2,109)	–	(2,109)
Transfer of revaluation reserve upon disposal of property, plant and equipment acquired in business combinations	–	–	(507)	507	–
Dividends relating to 2008	–	–	–	(171,909)	(171,909)
	–	–	1,610	(159,514)	(157,904)
Balance at 30 June 2009	34,047	2,243,980	2,184,757	1,644,163	6,106,947
Balance at 1 January 2010	34,047	2,243,980	2,340,032	1,835,767	6,453,826
Comprehensive income					
Profit for the period	–	–	–	298,335	298,335
Other comprehensive income					
Fair value gains on available-for-sale financial assets, net of tax	–	–	60,532	–	60,532
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	–	(12,827)	–	(12,827)
Total other comprehensive income	–	–	47,705	–	47,705
Total comprehensive income for the period ended 30 June 2010	–	–	47,705	298,335	346,040
Dividends relating to 2009	–	–	–	(352,458)	(352,458)
Balance at 30 June 2010	34,047	2,243,980	2,387,737	1,781,644	6,447,408

The notes on page 18 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT



For the six months ended 30 June 2010

(All amounts in thousands of Renminbi unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
Cash flows from operating activities		949,493	786,592
Cash flows from investing activities			
Additions of associates		–	(232,336)
Increase in investments in jointly controlled entities	8	(23,413)	–
Purchases of property, plant and equipment		(430,949)	(211,970)
Purchases of intangible assets		(761)	(11,891)
Proceeds from disposal of property, plant and equipment		8,891	2,456
Increase in investments in financial assets		(1,103,000)	(180,000)
Additions of available-for-sale financial assets	9	(1,122)	(177)
Dividends received from available-for-sale financial assets		6,883	7,649
Proceeds from disposal of available-for-sale financial assets		39,158	39,691
Net cash used in investing activities		(1,504,313)	(586,578)
Cash flows from financing activities			
Proceeds from bank borrowings		–	50,000
Repayments of bank borrowings		–	(8,562)
Dividends paid to equity holders of the Company		(352,458)	(171,909)
Net cash used in financing activities		(352,458)	(130,471)
Net (decrease)/increase in cash and cash equivalents		(907,278)	69,543
Cash and cash equivalents at beginning of the period		3,359,788	3,272,859
Exchange losses on cash and cash equivalents		(1,083)	(2,185)
Cash and cash equivalents at end of the period		2,451,427	3,340,217

The notes on page 18 to 32 form an integral part of this condensed consolidated interim financial information.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

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, Uglan 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 Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 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 20 August 2010.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those for the annual financial statements of the Company for the year ended 31 December 2009, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

Relevant to the Group's operations:

- HKFRS 3 (revised), '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', are 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.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

3 ACCOUNTING POLICIES – CONTINUED

Not relevant to the Group's operations:

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. Except for the amendments that are related HKFRS 3 "Business Combinations", other amendments are not currently applicable to the Group.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010. Except for the amendments that are related HKFRS 3 "Business Combinations", other amendments are not currently applicable to the Group.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are not effective for the financial year beginning 1 January 2010. The Group has not early adopted these standards.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



4 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates and judgments made by management are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

6 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 Groups 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

6 SEGMENT INFORMATION – CONTINUED

The segment information for the six months ended 30 June 2010 is as follows:

	Six months ended 30 June 2010				Group
	Beverages	Instant noodles	Others	Unallocated	
Segment results					
Revenue	4,593,742	1,470,622	99,210	–	6,163,574
Segment profit/(loss)	408,385	(12,558)	(12,631)	(39,894)	343,302
Finance income – net					26,016
Share of profits/(losses) from jointly controlled entities and associates	28,804	–	–	(569)	28,235
Profit before income tax					397,553
Income tax expense					(99,218)
Profit for the period					298,335
Other income statement items					
Depreciation and amortisation	130,820	34,928	3,021	4,986	173,755
Capital expenditure	391,359	25,623	3,186	3,476	423,644
	As at 30 June 2010				
	Beverages	Instant noodles	Others	Unallocated	Group
Segment assets and liabilities					
Assets	2,790,390	827,203	115,571	4,396,105	8,129,269
Interests in jointly controlled entities and associates	713,122	–	–	73,464	786,586
Total assets	3,503,512	827,203	115,571	4,469,569	8,915,855
Total liabilities	1,750,776	542,387	48,147	127,137	2,468,447

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



6 SEGMENT INFORMATION – CONTINUED

The segment information for the six months ended 30 June 2009 is as follows:

	Six months ended 30 June 2009				
	Beverages	Instant noodles	Others	Unallocated	Group
Segment results					
Revenue	3,530,954	958,048	23,198	–	4,512,200
Segment profit/(loss)	542,748	(26,305)	(5,414)	(57,027)	454,002
Finance income – net					19,528
Share of profits/(losses) from jointly controlled entities and associates	58,174	–	–	(425)	57,749
Profit before income tax					531,279
Income tax expense					(104,434)
Profit for the period					426,845
Other income statement items					
Depreciation and amortisation	111,646	37,613	3,497	1,920	154,676
Capital expenditure	239,703	24,919	476	21,078	286,176
	As at 31 December 2009				
	Beverages	Instant noodles	Others	Unallocated	Group
Segment assets and liabilities					
Assets	2,429,380	836,114	40,584	4,110,548	7,416,626
Interests in jointly controlled entities and associates	666,520	–	–	70,657	737,177
Total assets	3,095,900	836,114	40,584	4,181,205	8,153,803
Total liabilities	1,149,160	458,155	13,697	78,965	1,699,977



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

7 LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Leasehold land	Property, plant and equipment	Intangible assets
Six months ended 30 June 2010			
Opening net book amount as at 1 January 2010	184,985	2,174,043	12,878
Additions	-	422,883	761
Disposals	-	(7,237)	-
Depreciation and amortisation	(2,260)	(169,785)	(1,710)
Closing net book amount as at 30 June 2010	182,725	2,419,904	11,929
Six months ended 30 June 2009			
Opening net book amount as at 1 January 2009	171,952	1,956,937	8,383
Additions	-	279,970	6,206
Disposals	-	(6,346)	-
Depreciation and amortisation	(2,023)	(151,275)	(1,378)
Closing net book amount as at 30 June 2009	169,929	2,079,286	13,211

8 INTERESTS IN JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

	30 June 2010	31 December 2009
Listed securities	1,436	1,436
Unlisted securities	785,150	735,741
	786,586	737,177

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



8 INTERESTS IN JOINTLY CONTROLLED ENTITIES AND ASSOCIATES – CONTINUED

The movements in jointly controlled entities and associates are as follows:

	Six months ended 30 June	
	2010	2009
Share of net assets:		
At 1 January	737,177	306,448
Increase in investments	23,413	73,500
Acquisition of an associate		
– Increase in investment	–	158,836
– Transfer from available-for sale financial assets and the related fair value reserve	–	48,224
– Share of pre-acquisition profits and reserves of an associate	–	16,114
Disposal	–	(1,871)
Share of post-acquisition results	28,235	57,749
Dividend declared by an associate	(2,239)	–
At 30 June	786,586	659,000

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2010	31 December 2009
Listed securities	364,010	335,073
Unlisted securities	111,566	112,535
	475,576	447,608



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS – CONTINUED

The movements in available-for-sale financial assets are as follows:

	Six months ended 30 June	
	2010	2009
At 1 January	447,608	394,657
Additions	1,122	177
Disposals	(33,186)	(33,811)
Transfer to interests in associates	–	(35,042)
Fair value changes charged to equity	60,032	85,866
At 30 June	475,576	411,847

Other than the listed securities, which are denominated in HKD, the remaining available-for-sale financial assets are denominated in RMB.

10 TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2010	2009
Trade receivables		
– third parties	471,335	275,850
– related parties	6,546	5,060
	477,881	280,910
Less: provision for impairment	(8,243)	(8,152)
Trade and bills receivables, net	469,638	272,758

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



10 TRADE AND BILLS RECEIVABLES – CONTINUED

The credit terms granted to customers by the Group are usually 60 to 90 days. At 30 June 2010, the ageing analysis of trade receivables is as follows:

	30 June 2010	31 December 2009
Trade receivables, gross		
– Within 90 days	447,860	249,299
– 91-180 days	26,428	27,179
– 181-365 days	1,906	1,790
– Over 1 year	1,687	2,642
	477,881	280,910

11 OTHER CURRENT FINANCIAL ASSETS

As at 30 June 2010, other current financial assets of RMB1,103,000,000 (31 December 2009: Nil) represent investments in un-listed interest bearing financial products issued by commercial banks in China. The maturity periods of these financial products range from three to six months.

12 SHARE CAPITAL AND PREMIUM

(a) Share capital and share premium

	Issued and fully paid				
	Number of shares	Share capital		Share premium	Total
		Equivalent to HK'000	RMB'000	RMB'000	
At 1 January 2010 and 30 June 2010	3,599,445,000	35,994	34,047	2,243,980	2,278,027
At 1 January 2009 and 30 June 2009	3,599,445,000	35,994	34,047	2,243,980	2,278,027



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

12 SHARE CAPITAL AND PREMIUM – CONTINUED

(b) Share option scheme

The Company adopted a share option scheme (the “Scheme”) pursuant to a written resolution passed on 23 November 2007. The total number of shares which may be issued under the Scheme must not exceed 352,681,000 shares, representing approximately 10% of the total number of shares issued by the Company as at 17 December 2007, the listing date of the Company’s shares on the Stock Exchange. The general vesting period for the options granted under the Scheme is limited to 20% at each anniversary of grant date and should be a period to commence not less than one year and not to exceed 10 years from the date of the grant of the option. The Scheme will remain in force until 16 December 2017.

Up to 30 June 2010, no share options have been granted under the Scheme.

13 TRADE AND BILLS PAYABLES

	30 June 2010	31 December 2009
Trade payables		
– third parties	833,978	462,272
– related parties	68,425	43,130
	902,403	505,402
Bills payable – third parties	1,904	1,989
	904,307	507,391

At 30 June 2010, the ageing analysis of trade payables is as follows:

	30 June 2010	31 December 2009
Trade payables		
– Within 180 days	889,457	497,751
– 181 to 365 days	9,120	5,060
– Over 1 year	3,826	2,591
	902,403	505,402

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



14 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	
	2010	2009
Raw materials, packaging materials, consumables and purchased commodity used	3,494,749	2,139,572
Changes in inventories of finished goods	(32,461)	60,593
Promotion and advertising expenses	791,746	694,628
Employee benefit expenses	614,213	488,929
Transportation expenses	335,075	206,862
Amortisation and depreciation of leasehold land, property, plant and equipment and intangible assets	173,755	154,676
Operating lease in respect of buildings	43,513	30,865
Write-down/(reversal of write-down) of inventories to net realisable value	1,883	(2,383)
Provision for impairment of trade receivables	541	816
Utility expenses	68,308	53,289
Manufacturing outsourcing expenses	133,091	66,309
Others	245,719	200,109
Total	5,870,132	4,094,265



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

15 INCOME TAXES

	Six months ended 30 June	
	2010	2009
Current income tax		
– Mainland China corporate income tax (“CIT”)	132,317	140,419
Deferred income tax	(33,099)	(35,985)
	99,218	104,434

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.

Effective from 1 January 2008, the Company’s subsidiaries incorporated in the PRC are required to determine and pay the CIT in accordance with the Corporate Income Tax Law of the PRC as approved by the National People’s Congress on 16 March 2007 and the related regulations (the “New CIT Law”). According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. For enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT rates granted by relevant tax authorities, the new CIT rates will be gradually increased from the preferential rates to 25% within 5 years after the effective date of the new CIT Law on 1 January 2008. For the regions that enjoy a reduced CIT rate of 15%, the tax rate would gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the related regulations. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

16 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.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company	298,335	426,845
Weighted average number of ordinary shares in issue (thousands)	3,599,445	3,599,445
Basic earnings per share (RMB per share)	8.29 cents	11.86 cents

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)



17 DIVIDENDS

Dividend in relation to the year ended 31 December 2009 and 2008 amounting to RMB352,458,000 and RMB171,909,000 were paid in June 2010 and June 2009, respectively.

The directors do not recommend an interim dividend in respective of the six months ended 30 June 2010 (2009: Nil).

18 CONTINGENT LIABILITIES

	30 June 2010	31 December 2009
Guarantees to related parties	219,096	206,820

As at 30 June 2010, the Group provides guarantees for the bank borrowings and finance leases of Jinmailang Beverage (Beijing) Co., Ltd. (今麥郎飲品(北京)有限公司), an associated company of the Group, amounting to approximately RMB219 million (31 December 2009: approximately RMB207 million).

19 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate parent company of the Group is Uni-President Enterprises Corporation (統一企業股份有限公司) ("Uni-President").



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in thousands of Renminbi unless otherwise stated)

19 RELATED PARTY TRANSACTIONS – CONTINUED

Save as disclosed elsewhere in this condensed consolidated interim financial information, the following transactions are carried out with related parties:

	Note	Six months ended 30 June	
		2010	2009
Sales of goods:	(i)		
Subsidiaries of Uni-President		25,080	10,495
Jointly controlled entities and associates of the Group		3,942	29
Purchase of raw materials and finished goods:	(i)		
Subsidiaries of Uni-President		397,083	240,192
Jointly controlled entities and associates of the Group		29,223	6,831
Consultation service income:	(ii)		
Subsidiaries of Uni-President		167	167
Jointly controlled entities and associates of the Group		336	336
Rental income:	(iii)		
Subsidiaries of Uni-President		1,337	955

Notes:

- (i) The above sales and purchases are carried out in accordance with the terms of the underlying agreements.
- (ii) Consulting service income from related parties represents management consulting services, IT system maintenance support and staff training service and is charged in accordance with the terms of agreement made between the parties.
- (iii) Rental income represents income from lease of property, plant and equipment and is charged in accordance with the terms of agreement made between the parties.

The key management compensation is as follows:

	Six months ended 30 June	
	2010	2009
Salaries, bonus and other welfares	3,011	3,775



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)

(一家於開曼群島註冊成立的有限公司)

(Stock Code 股份編號: 220)