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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 2016 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB20,985.5 million, down by 5.1% as compared with the previous year.
- Group gross margin of 34.4%, down by 2.4 percentage points as compared with the previous year.
- EBITDA of RMB2,608.8 million, down by 2.3% as compared with the previous year.
- Profit attributable to equity holders of the Company of RMB607.3 million, down by 27.2% as compared with the previous year.

FINAL DIVIDEND

- Proposed final dividend for 2016 of RMB2.812 cents per share.

CHAIRMAN'S STATEMENT

The growth of GDP of the People's Republic of China (the "PRC") continued to slow down, with a year-on-year growth rate decreased to 6.7% in 2016. The changes in the political situation in Europe and America are affecting the international economic development, resulting in a sharp depreciation of the Renminbi exchange rate. Costs of certain raw materials increased, and the food and beverage industry has not yet recovered under the pressure of the economic downturn. Amidst the ongoing industrial structural adjustment, innovative and upgraded products are obviously favoured by consumers. Existing products continued to be challenged and compressed, with their growth turning to a slow down or even a recession. Changes in consumers' preferences intensified, pushing the product life cycle towards a test. Making timeless products and establishing consumer-recognized brand value becomes another round of challenges.

In 2016, Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together, the “Group”) upheld the spirit of progress through innovation, brand building and operation and continued to promote product upgrading and improve the marginal efficiency prudently. In the second half of 2016, we have implemented sales channel reform, sales rhythm adjustment and organization integration, to strive to reach the business goals set by the board (the “Board”) of directors (the “Directors”) and maximize benefit in a more reasonable and effective way under the new economic situation.

In 2016, the Group recorded a revenue of RMB20,985.5 million and profit attributable to shareholders of RMB607.3 million. The revenue of instant noodles recorded a historic high at RMB8,221.1 million, representing a growth of 8.6% when compared to the same period of last year. The market share of instant noodles has made a further breakthrough to 21.0%, in which “Soup Daren (湯達人)” grew rapidly under the continuous implementation of mid-high end instant noodles development strategy and became a significant brand priced at RMB5.0 and above. The overall instant noodles business recorded profit due to the increase in revenue when compared to the same period of last year. The revenue of beverages business amounted to RMB12,180.7 million, representing a downturn of 13.3% when compared to the same period of last year. As the overall economic growth has slowed down, the whole beverage market remained sluggish. “Classmate Xiaoming (小茗同學)” has successfully driven the rapid development of the ready to drink tea market with selling price of RMB5.0 and above and become a role model in the industry. “Haizhiyan (海之言)” adjusted its sales rhythm and carried out channel inventory improvement. The scale of existing products reduced because of the changes in consumer trends, and as a result, profit decreased.

The Group will insist on satisfying the consumers’ demands as its priority. By continuously launching differential and innovative products, building brand value, expanding market scale, enhancing integrated efficiency of the organization, the Group will take the new round of opportunities in the food and beverage industry to develop a new setup.

DIVIDENDS

Having accounted for our overall performance, balances, financial conditions, capital expenditures, etc., the Board proposes to declare a final cash dividend of RMB2.812 cents per share (amounting to a total dividend of RMB121.5 million) for the year ended 31 December 2016 at the forthcoming annual general meeting of the Company.

PROSPECT

The PRC's economy is expected to continue to slow down in 2017, while the GDP growth remains moderate. The uncertain factors in international economic development will increase as the political situations change. Raw materials costs are likely to rise, so do the exchange rate risk. Food and beverage market will continue industry structure adjustment. The Group is optimistic about the development in 2017 and expects the economy will grow steadily. The Group will focus on its core competitiveness and leverage on its organizational abilities in innovation to grasp the market trend and consumers' preference, and to continue developing high-quality innovative products. It will also facilitate sales channel reform and create reasonable returns for all shareholders.

ACKNOWLEDGEMENT

Our Group's steady growth is credited to every party's support and dedication. On behalf of the Board, I would like to express our sincere gratitude to clients, suppliers, partners, financial institutions and shareholders for their unparalleled support, especially for all my colleagues' efforts and contributions in the past year.

Mr. Lo Chih-Hsien
Chairman

24 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	20,985,532	22,101,871
Cost of goods sold	4	<u>(13,757,732)</u>	<u>(13,961,138)</u>
Gross profit		7,227,800	8,140,733
Other gains – net		298,193	16,672
Other income		409,172	342,518
Other expenses	4	(123,762)	(132,320)
Selling and marketing expenses	4	(5,849,868)	(6,320,528)
Administrative expenses	4	<u>(999,024)</u>	<u>(1,015,577)</u>
Operating profit		962,511	1,031,498
Finance income		107,898	135,955
Finance costs		<u>(95,584)</u>	<u>(109,637)</u>
Finance income – net	5	12,314	26,318
Share of profit of investments accounted for using the equity method		<u>93,147</u>	<u>112,945</u>
Profit before income tax		1,067,972	1,170,761
Income tax expense	6	<u>(460,643)</u>	<u>(336,256)</u>
Profit for the year and attributable to equity holders of the Company		<u>607,329</u>	<u>834,505</u>
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	7	<u>14.06 cents</u>	<u>19.32 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Note</i>	2016 RMB'000	2015 <i>RMB'000</i>
Profit for the year		607,329	834,505
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		<u>(1,496)</u>	<u>(11,717)</u>
Other comprehensive income for the year, net of tax		<u>(1,496)</u>	<u>(11,717)</u>
Total comprehensive income for the year and attributable to equity holders of the Company		<u>605,833</u>	<u>822,788</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		2,221,526	2,214,488
Property, plant and equipment		11,097,233	11,454,886
Investment properties		365,384	349,576
Intangible assets		29,645	33,885
Investments accounted for using the equity method		730,474	1,621,725
Available-for-sale financial assets		225,528	227,024
Deferred income tax assets		349,727	328,137
Other receivables – non-current portion		11,280	12,111
		<u>15,030,797</u>	<u>16,241,832</u>
Current assets			
Inventories		1,214,527	1,367,717
Trade receivables	9	542,934	529,198
Prepayments, deposits and other receivables		1,453,968	548,343
Cash and bank balances		2,463,201	2,919,329
		<u>5,674,630</u>	<u>5,364,587</u>
Total assets		<u>20,705,427</u>	<u>21,606,419</u>

	<i>Note</i>	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		39,764	39,764
Share premium account		4,829,899	4,829,899
Other reserves		2,236,765	2,274,569
Retained earnings		4,933,683	4,458,171
		<u>12,040,111</u>	<u>11,602,403</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		191,802	197,350
Borrowings		500,000	2,665,000
Other payables – non-current portion		430,879	439,149
		<u>1,122,681</u>	<u>3,301,499</u>
Current liabilities			
Trade payables	<i>10</i>	1,138,154	1,229,015
Other payables and accruals		4,044,333	3,836,107
Borrowings		2,100,169	1,589,316
Current income tax liabilities		259,979	45,941
Derivative financial instruments		–	2,138
		<u>7,542,635</u>	<u>6,702,517</u>
Total liabilities		<u>8,665,316</u>	<u>10,004,016</u>
Total equity and liabilities		<u>20,705,427</u>	<u>21,606,419</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding 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 (the “Listing”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group in 2016

The following new amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2016 and relevant to the Group's operations:

- Annual improvements 2014 include changes from the 2012 – 2014 cycle of the annual improvements project that are effective for relevant transactions executed on or after 1 January 2016:
 - Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations' clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.
 - Amendment to HKFRS 7 'Financial instruments: Disclosures' clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.
 - Amendment to HKAS 19, 'Employee benefits' clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.
 - Amendment to HKAS 34, 'Interim financial reporting' clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The adoption of the above new amendments of HKFRSs starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

The following new amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

- Amendment to HKFRS 14 'Regulatory Deferral Accounts' describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

- Amendment to HKFRS 11 ‘Accounting for acquisitions of interests in joint operations’ requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.
 - Amendments to HKAS 16 and HKAS 38 ‘Clarification of acceptable methods of depreciation and amortization’ clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.
 - Amendments to HKFRS 10, HKFRS 12 and HKAS 28 ‘Investment entities: applying the consolidation exception’ clarify the application of the consolidation exception for investment entities and their subsidiaries.
 - Amendments to HKAS 1 ‘Disclosure initiative’ clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
 - Amendments to HKAS 16 and HKAS 41 ‘Agriculture: bearer plants’ change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of HKAS 16 rather than HKAS 41.
- (b) New standards and amendments issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2016, and have not been early adopted by the Group in preparing these consolidated financial statements:

- Amendments to HKFRS 10 and HKAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’, originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
- Amendments to HKAS 7 ‘Statement of cash flows’ and amendments to HKAS 12, ‘Income taxes’ are effective for annual periods beginning on or after 1 January 2017.
- HKFRS 15 ‘Revenue from Contracts with Customers’, effective for annual periods beginning on or after 1 January 2018.
- HKFRS 9 ‘Financial Instruments’, effective for annual periods beginning on or after 1 January 2018.
- HKFRS 16 ‘Leases’, effective for annual periods beginning on or after 1 January 2019.

The Group is yet to assess the full impact of these new amendments and standards, and intends to adopt the amendments no later than the respective effective dates of the amendments.

3 Revenue and 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 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 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 revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

The segment information for the year ended 31 December 2016 and 2015 is as follows:

	2016				
	Beverages	Instant	Others	Unallocated	Group
	<i>RMB'000</i>	<i>noodles</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment results					
Revenue	<u>12,180,682</u>	<u>8,221,083</u>	<u>583,767</u>	<u>–</u>	<u>20,985,532</u>
Segment profit/(loss)	890,826	315,824	52,776	(296,915)	962,511
Finance income – net	–	–	–	12,314	12,314
Share of profit of investments accounted for using the equity method	81,925	–	–	11,222	<u>93,147</u>
Profit before income tax					1,067,972
Income tax expense					<u>(460,643)</u>
Profit for the year					<u>607,329</u>
Other segment items included in the income statement					
Depreciation and amortisation	<u>974,597</u>	<u>300,621</u>	<u>72,559</u>	<u>84,993</u>	<u>1,432,770</u>
Segment assets and liabilities					
Assets	10,578,788	4,118,180	589,972	4,688,013	19,974,953
Investments accounted for using the equity method	559,788	–	–	170,686	<u>730,474</u>
Total assets					<u>20,705,427</u>
Liabilities	3,144,661	1,670,412	324,526	3,525,717	<u>8,665,316</u>
Total liabilities					<u>8,665,316</u>
Capital expenditure	<u>854,603</u>	<u>143,512</u>	<u>55,877</u>	<u>72,004</u>	<u>1,125,996</u>

	2015				Group RMB'000
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	
Segment results					
Revenue	<u>14,051,115</u>	<u>7,567,422</u>	<u>483,334</u>	<u>–</u>	<u>22,101,871</u>
Segment profit/(loss)	1,105,171	174,092	47,358	(295,123)	1,031,498
Finance income – net	–	–	–	26,318	26,318
Share of profit/(loss) of investments accounted for using the equity method	114,724	–	–	(1,779)	<u>112,945</u>
Profit before income tax					1,170,761
Income tax expense					<u>(336,256)</u>
Profit for the year					<u>834,505</u>
Other segment items included in the income statement					
Depreciation and amortisation	<u>1,000,285</u>	<u>279,440</u>	<u>44,633</u>	<u>78,750</u>	<u>1,403,108</u>
Segment assets and liabilities					
Assets	11,801,888	4,189,231	448,205	3,545,370	19,984,694
Investments accounted for using the equity method	1,461,263	–	–	160,462	<u>1,621,725</u>
Total assets					<u>21,606,419</u>
Liabilities	3,143,511	1,543,692	194,593	5,122,220	<u>10,004,016</u>
Total liabilities					<u>10,004,016</u>
Capital expenditure	<u>1,100,616</u>	<u>185,784</u>	<u>74,825</u>	<u>39,614</u>	<u>1,400,839</u>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, available-for-sale financial assets, cash and banks, and investment properties and related land use rights.

Liabilities grouped under unallocated category comprised primarily of deferred income tax liabilities, current income tax liabilities and borrowings.

Capital expenditure comprised additions to land use rights, property, plant and equipment, investment properties and intangible assets.

The total of non-current assets located in different countries is as follows:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– PRC	14,372,869	15,596,383
– Overseas countries	71,393	78,177
Financial instruments	236,808	239,135
Deferred income tax assets	349,727	328,137
	15,030,797	16,241,832

4 Expenses by nature

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials, packaging materials, consumables and purchased commodity used	11,696,352	12,167,255
Changes in inventories of finished goods	85,723	(173,073)
Manufacturing outsourcing expenses	7,793	1,860
Promotion and advertising expenses	2,251,242	2,417,906
Employee benefit expenses, including directors' emoluments	3,176,774	3,164,748
Transportation expenses	865,816	957,360
Amortisation of land use rights	56,836	57,018
Depreciation of property, plant and equipment	1,338,321	1,311,777
Depreciation of investment properties	18,262	18,665
Amortisation of intangible assets	19,351	15,648
Operating lease in respect of buildings	157,962	165,596
City construction tax, property tax and other tax surcharges	276,449	285,182
Reversal of provision for impairment of property, plant and equipment	–	(116)
Provision/(reversal) for impairment of trade receivables (<i>Note 9</i>)	3,118	(1,634)
Provision/(reversal) of provision of inventories to net realisable value	3,821	(1,134)
Auditors' remunerations		
– Audit services	7,872	7,283
Others	764,694	1,035,222
Total	20,730,386	21,429,563

5 Finance income – net

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Finance income		
– interest income on cash and banks	<u>107,898</u>	<u>135,955</u>
Finance cost		
– Interest expenses on borrowings	(141,770)	(155,910)
– Net foreign exchange gains/(losses)	12,461	(63,910)
– Less: amounts capitalized on qualifying assets	<u>33,725</u>	<u>110,183</u>
	<u>(95,584)</u>	<u>(109,637)</u>
Finance income – net	<u><u>12,314</u></u>	<u><u>26,318</u></u>

6 Income tax expense

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current income tax		
– Current income tax on profit for the year	467,781	319,357
Deferred income tax	(27,138)	4,899
Withholding tax on dividends a PRC subsidiary	<u>20,000</u>	<u>12,000</u>
	<u><u>460,643</u></u>	<u><u>336,256</u></u>

(a) PRC corporate income tax (“CIT”)

Subsidiaries established in the PRC are subject to CIT at rate of 25% (2015: 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% (2015: 17% and 16.5%), respectively.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2015: 25%) applicable to profits of the consolidated entities as follows:

	2016	2015
	RMB'000	RMB'000
Profit before income tax	<u>1,067,972</u>	<u>1,170,761</u>
Tax calculated at the statutory tax rate in the PRC	266,993	292,690
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	(8,814)	(20,500)
Utilisation of previously unrecognized tax losses	(1,415)	(2,114)
Tax losses and temporary differences for which no deferred income tax asset was recognised	35,664	32,835
Income not subject to tax	(23,286)	(28,236)
Expenses not deductible for tax purpose	32,751	49,581
Income tax charge from disposal of an associate	138,750	–
Withholding tax on dividends from a PRC subsidiary	<u>20,000</u>	<u>12,000</u>
Income tax expense	<u>460,643</u>	<u>336,256</u>

The income tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other comprehensive income:						
– Net fair value losses from available-for-sale financial assets	<u>(1,496)</u>	–	<u>(1,496)</u>	<u>(16,717)</u>	5,000	<u>(11,717)</u>
Deferred income tax		<u>–</u>			<u>5,000</u>	

7 Earnings per share

Basic

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

	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	607,329	834,505
Weighted average number of ordinary shares in issue (thousands)	4,319,334	4,319,334
Basic earnings per share (RMB per share)	<u>14.06 cents</u>	<u>19.32 cents</u>

Diluted earnings per share is the same as basic earnings per share as there are no potential dilutive ordinary shares of the Company.

8 Dividends

	2016 RMB'000	2015 <i>RMB'000</i>
Proposed final dividend of RMB2.812 cents (2015: RMB3.864 cents) per ordinary share	121,466	166,901

The dividends paid by the Company in 2016 and 2015 for the years ended 31 December 2015 and 2014 amounted to RMB168,125,000 (RMB3.892 cents per share) and RMB57,123,000 (RMB1.322 cents per share), respectively.

A dividend in respect of the year ended 31 December 2016 of RMB2.812 cents per share, amounting to a total dividend of RMB121,466,000, is to be proposed at the annual general meeting to be held on 19 May 2017. These financial statements do not reflect this dividend payable.

9 Trade receivables

	2016 RMB'000	2015 <i>RMB'000</i>
Trade receivables from independent third parties	505,932	494,288
<i>Less: provision for impairment</i>	(10,086)	(8,573)
Trade receivables from independent third parties, net	495,846	485,715
Trade receivables from related parties	47,088	43,483
Trade receivables, net	542,934	529,198

The credit terms granted to customers by the Group are usually 60 to 90 days (2015: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	511,148	495,146
– 91 to 180 days	38,986	38,348
– 181 to 365 days	1,437	1,356
– Over one year	1,449	2,921
	553,020	537,771

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 RMB'000	2015 <i>RMB'000</i>
Trade receivables, gross		
– RMB	547,913	532,422
– USD	1,706	2,166
– HKD	3,401	3,183
	<u>553,020</u>	<u>537,771</u>

The carrying amounts of trade receivables approximate their fair values as at the balance sheet dates.

As at 31 December 2016, trade receivables of approximately RMB110 million (2015: RMB105.9 million) were overdue and the amount of provision for impairment was approximately RMB10.1 million (2015: RMB8.6 million). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. The ageing of these receivables is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	68,156	65,724
– 91 to 180 days	38,986	38,348
– 181 to 365 days	1,437	1,356
– Over one year	1,449	551
	<u>110,028</u>	<u>105,979</u>

The Group recognises provision for impairment of trade receivables in 'administrative expenses' in the income statements. The movements in provision for impairment are as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
At 1 January	8,573	10,207
Provision/(reversal) for impairment of trade receivables (<i>Note 4</i>)	3,118	(1,634)
Receivables written off as uncollectible	(1,605)	–
At 31 December	<u>10,086</u>	<u>8,573</u>

The maximum exposure of the Group to credit risk at the reporting date is the carrying value of trade receivables as mentioned above. The Group does not hold any collateral as security.

10 Trade payables

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables		
– to independent third parties	869,243	986,342
– to related parties	268,911	242,673
	<u>1,138,154</u>	<u>1,229,015</u>

The credit terms granted by suppliers to the Group are usually 30 to 45 days. The ageing analysis of trade payables is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables		
– Within 30 days	914,159	971,428
– 31-90 days	176,412	187,948
– 91-180 days	16,236	43,782
– 181 to 365 days	21,323	16,848
– Over 1 year	10,024	9,009
	<u>1,138,154</u>	<u>1,229,015</u>

All the trade and bills payables are denominated in RMB. Their carrying amounts approximate their fair values as at the balance sheet dates.

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC ENVIRONMENT

The PRC's GDP growth rate was down to 6.7% in 2016. This continuous moderate growth rate falls within Chinese government's expected range, which is from 6.5% to 7.0%. As the PRC's economy struggles for momentum, the food and beverage industry also remains sluggish. Meanwhile, consumers nowadays are willing to spend more on upgraded and unique products. The rapid changes in consumer preferences and choices has changed the model for competition among industry participants, requiring for innovation and the ability to adapt. Besides, the global political situation is steering the economy into uncharted water. Renminbi slumped in 2016, while raw material prices rebounded. This added a lot of pressure on every industry. The Group believes the only way to stand out is to understand consumers' needs and be innovative.

BUSINESS REVIEW

In 2016, the Group continued to work on innovation, research and brand building and management for achieving a better product lineup and higher profitability. As the pace of economic growth decelerates, conventional sales approach is not able to boost revenue and profit anymore. The Group is using a new sales approach to get out of the woods. Sales is being constantly adjusted according to market demands in different seasons, which helps reduce channel costs. In the second half of 2016, the Group adjusted its sales momentum of its beverage business according to the season and channel inventory level, and hence the Group's results in the second half of 2016 was affected by such adjustment. Information about the Group's businesses are as follows:

Instant noodles business

Instant noodle sales amount bounced back in 2016 with an overall industry growth rate of 1.3%. Although things are looking up after several sluggish years, the overall sales volume is generally still in a recession. This shows a continuous trend of industrial upgrade. The Group recorded a revenue of RMB8,221.1 million in 2016, representing a year-on-year growth rate of 8.6%. The Group outperformed the market. Despite the inactive environment of 2016 and the impact of food delivery apps on the industry, the Group broke new ground by releasing innovative and differentiated products, aiming at catching up with consumer trends and facilitating industry upgrade. Thanks to all these measures, the Group's market share rose to 21.0% in 2016.

The Group never stops integrating new concepts and technologies into product innovation. The Group has received lots of favourable comments and awards from the industry. In the "16th China Convenience Food Conference-cum-Convenience Food Expo (第十六屆中國方便食品大會暨方便食品展)" organised by the Chinese Institute of Food Science and Technology, the Group's "Imperial Big Meal (滿漢大餐)" instant noodle received the "2016 China Convenience Food Innovation Award (2016年中國方便食品創新獎)". In addition, "Urban Bistro (都會小館)" and "Imperial Big Meal (滿漢大餐)" were both awarded the "2016 Most Popular Convenience Food Award (2016年最受歡迎的方便食品獎)".

Offering consumers the “Authentic Tasty Sourness (最正宗的酸爽)” is of highest priority for “Uni-President Lao Tan Pickled Cabbage (統一老壇酸菜)”. As for product improvement, a traceability management system is implemented to manage the whole production process of the pickled cabbage flavour packet, a core feature of “Uni-President Lao Tan Pickled Cabbage (統一老壇酸菜)”. The Group keeps enhancing the flavour packet’s taste and quality to sharpen the competitive edges of “Uni-President Lao Tan Pickled Cabbage (統一老壇酸菜)”. Additionally, under a strategy to make the brand more appealing to young consumers and a main idea of “let the brand shine and stand out (煥發品牌活力，提升品類熱度)”, the Group redesigned product packaging in the first half of the year. The combination of trendy elements and classic image has definitely brought the Group’s products to the next level. They are more outstanding and eye-catching than other products on the market, and young consumers really love the new look. The Group’s cooperation with Mr. Wang Han continued in 2016 by using humour to promote the brand with a slogan of “This tasty sourness, who else! (這酸爽還有誰)” in a series of commercials. In-depth communication with consumers from different background increased their awareness of “Uni-President Lao Tan Pickled Cabbage (統一老壇酸菜)” as well as their appreciation of the brand and customer loyalty. In 2016, the Group also promoted the brand by a mixed media model, which combined various marketing techniques together. By introducing technologies popular among young consumers (e.g., Virtual Reality and Live Streaming), customer recognition is raised.

“Soup Daren (湯達人)” continued its double-digit growth in 2016, and it has become the first choice for more consumers. The confidence and experience gained in this success is absolutely a great help in developing other mid-range and high-end products of the Group. Making great soup is what “Soup Daren (湯達人)” is always after. By offering a perfect consumer experience with a slogan of “Bottoms-up for the Nourishing Soup (元氣高湯、一碗見底)”, it is hoped that brand recognition can be built such the customers will choose “Soup Daren (湯達人)” when they want a good soup. Different types of media have been used in advertising. The Group continued to broadcast commercials on premium media platforms while targeting core markets, which helped to expand the brand’s influence. The brand’s core values are intricately embedded in micro films, TV programmes, variety shows, etc. Positive feedback from consumers was achieved. Besides, two new flavours, i.e. “Korean Spicy Beef Noodle (韓式辣牛肉湯)” and “Original Chicken Noodle (原盅雞湯)”, were launched in 2016. Consumers now have more types of soups to choose from, and the Group keeps on building a high quality brand image.

“Urban Bistro (都會小館)” and “Mix-up in Town with You (相拌一城)” with a price tag of RMB 5.0 and above were launched in 2016. “Urban Bistro (都會小館)” features many unique flavours from different places. These flavours are new to the existing instant noodle market. Consumers now can enjoy delicious noodles of various backgrounds almost anytime anywhere. “Mix-up in Town with You (相拌一城)” showcases the charm of mixed noodles from the city such that consumers can enjoy a taste of city delicacies in the hot summer.

After the launch of high-end brand “Imperial Banquet (滿漢宴)”, the Group introduced “Imperial Big Meal (滿漢大餐)” in November 2016. This new brand represents the very essence of “Imperial Feast (滿漢全席)”. A combination of various fresh ingredients and non-fried noodles saves busy and uncompromising university students and workers time and effort while satisfies them with gourmet enjoyment to reward themselves. “Imperial Banquet (滿漢宴)” and “Imperial Big Meal (滿漢大餐)” are a representation of China’s high-end instant noodles. They are pioneers of the future of China’s instant noodles.

Food safety will continue to be the top priority of the Group’s quality control in 2017. The Group will catch up with the trend of industry upgrade, build up the brand value with continuous innovation and meet customer needs.

Beverages business

The beverage industry remained sluggish in 2016, yet sales amount and sales volume recovered a bit as compared to 2015. High-end products with unique design became even more popular. The growth pattern of different drinks changed in 2016 as well. Instant tea drinks (excluding milk tea) stood out with a significant double-digit increase, among which tea drinks with over RMB5.0 price tag dominated the market soon after their launches, showing that consumers do love them. This injected positive energy into the beverage market after a recession of the instant tea drinks market which had lingered for years. The Group adjusted its beverage sales strategies and channel inventory management according to seasons and market sizes for better cost-effectiveness in the second half of 2016. Due to such adjustment, the Group’s beverage business generated a revenue of RMB12,180.7 million in 2016, representing a year-on-year decrease of 13.3%. The performance of the major drink products are as follows:

Tea Drinks

The Group has found out a development opportunity in consumption upgrade and transformation and successfully launched “Classmate Xiaoming (小茗同學)” as a pioneer of industrial upgrade. It is leading the evolution of the tea drink industry. According to Nielsen’s data, tea drinks with over RMB 5.0 price tag rapidly occupied the market after developments in 2015 and 2016. This has brought the tea drink (excluding milk tea) industry to the next level. The Group’s tea drinks generated revenue of RMB 5,914.5 million in 2016, representing a year-on-year growth of 1.5%. The 2015 market share and 2016 market share were 24.8% and 27.8% respectively, representing an impressive increase of 3.0 percentage points.

“Classmate Xiaoming (小茗同學)” is targeted at students. Thanks to the fresh flavour of cold-brewed tea, unique packaging and the easy-going attitude the brand promotes, it has become a trendy drink among post-95 consumers soon after its launch. The Group also introduced “Liuliuda Tea (溜溜嗒茶)” in 2016, which has a popular lactic acid flavour and interacted with consumers by an interesting and funny activity named “Totally Awesome (666牛牛牛)”. “Liuliuda Tea (溜溜嗒茶)” definitely left a great impression on consumers by this activity. In terms of marketing, “Classmate Xiaoming (小茗同學)” remained as a title sponsor of “Back to School 2(我去上學啦2)” from June to September. Through the cooperation with Zhejiang Satellite TV and iQIYI and the combination of nine celebrity stars and hot topics, “Classmate Xiaoming (小茗同學)” became very popular. From August to December, “Classmate Xiaoming (小茗同學)” was embedded into two TV series, i.e. “No.2 Middle School (茶啊二中)” and “Suddenly Seventeen (28歲未成年)”, aiming to tighten the connection with consumers.

“Uni Ice Tea (統一冰紅茶)” always focuses on young consumers. Thanks to a brand new packaging, it has become younger, cooler and more energetic. Kris Wu, one of the most popular young idols at the moment, continued to be the brand ambassador in 2016. The Group is creating a unique brand identity through various interactions that young people are interested in, e.g., being a title sponsor of IGL (the “International Gaming League”), holding Electric Run (the premier 5-kilometre fluorescent night run) and making use of the influence of “To Youth (致青春)” (a film that Kris Wu starred in).

“Uni Green Tea (統一綠茶)” continues to use “Experience the Nature (親近自然)” as its brand concept. The Group is a special sponsor of “Our Law (我們的法則)”, a variety show of Anhui Satellite TV. The mesmerising jungle view gifted by mother nature matches with the brand concept. Moreover, the innovative crossover cooperation with LETV (樂視網) has attracted many young people’s attention. The outcome exceeds expectations.

The market is ever-changing, and consumers nowadays are after unique products. Under the circumstances, the Group will continue to promote its tea drinks by a “Value Marketing (價值行銷)” tactic in 2017 and keep on optimising market layout and brand building strategies. The three core brands have distinct market positioning. For “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)”, the Group will focus on enhancing the products quality to ensure a steady sales volume. Meanwhile, for “Classmate Xiaoming (小茗同學)”, the Group will build on its success by building strategic bases while expanding sales into new markets or territories proactively. It is hoped that the tea drink market will revive to satisfy young people with what they love.

Juice Drinks

The Group’s juice drinks business generated a revenue of RMB 2,500.4 million in 2016. A marked year-on-year drop was recorded because of the decrease in demand for juice and the impact of channel inventory adjustment. According to Nielsen’s data, juice market generally suffers from a mild recession, and the growth of refreshing drinks is slowing down. However, assorted juice drinks are coming to the market, and consumption upgrade continues. The Group managed to maintain the second-largest market share with 13.6% under the circumstances.

“Uni More Orange Juice (統一鮮橙多)” was the focus in the “More Juice Series (統一多果汁)” in 2016. With its brand slogan “More Vitamin C, More Beauty (多C多漂亮)”, the Group provides consumers with all sorts of surprisingly special orange drinks (refreshing orange juice, orange juice with pulp and juice smoothie) to bring a diverse and fantastic experience about orange to consumer in order to satisfy demand from young people who have a pretty and enthusiastic life attitude. The Group strives to become an orange juice expert in the industry. In 2017, “Uni More Orange Juice (統一鮮橙多)” will continue to take its orange flavour as the best selling point. Meanwhile, the taste and packaging of the products will be continuously improved. Online media will be an important part of marketing to win more young consumers.

The Group continued to market “Haizhiyan (海之言)” with a master slogan of “Cooling You Down (海掃酷熱)” and build an impression of “The Refreshing Ocean (海洋清爽)” on consumers. A new blackcurrant flavour was introduced in 2016. Thanks to a cool and black packaging and its refreshing taste, it became popular among young consumers in a blink of an eye. Jing Boran, a famous talented idol, signed as a brand ambassador with “Haizhiyan (海之言)” in 2016. With actual talent as well as temperament as an idol, he perfectly represents the brand’s inner and outer beauty. “Haizhiyan Seaside Summer Camps (海之言海濱夏令營)”, the annual themed marketing event in 2016, awarded some loyal supporters an opportunity to join seaside activities, e.g., watching popular idols, led by Jing Boran contend with several Olympic gold medalists, led by Yang Wei, in a series of interesting games and enjoying a concert. Immersion marketing offers consumers tons of opportunities to interact with the Group, making them feel the peacefulness and happiness brought by the ocean and “Haizhiyan (海之言)”. Sales strategies for “Haizhiyan (海之言)” has been adjusted in 2016. “Drinking Haizhiyan, Instant Refreshing (喝海之言, 瞬間清爽)” will be used as the slogan to offer consumers an unprecedented and refreshing experience in 2017.

“Seasonal Nourishing and Moisturising – Way of Relax and Revival (四季潤養、舒活之道)” continued to be promoted as the core brand value of “Seasonal Drinks (飲養四季)” in 2016. The marketing of the leading product “Crystal Sugar Pear Drink (冰糖雪梨)” features “Music (音樂)” and “Official Website (官方平臺)”, aiming to target consumers precisely. The word “Stew (燉)” will be added to the packaging in 2017. In addition to the improvement of packaging, the production process will be enhanced as well. Besides, members of the brand can also earn bonus points through various interactive activities. This is going to make the brand more appealing to young consumers.

Chinese people believe that warm drinks are healthy drinks. “Ruyin (如飲)” is inspired by this belief. Thanks to its carefully selected ingredients and intricate drink-making process, “Ruyin (如飲)” opens up a new market for Chinese style drinks. As a new benchmark for Chinese style warm drinks, it is only sold in winter. Apart from a heartwarming “Pomelo with Honey (柚見幸福)”, “LiLaiWuSan (梨來霧散)” (a functional drinks with fruits and herbs as its ingredients, and the design of its recipe being guided by professors from Guangzhou University of Chinese Medicine) is leading a trend of drinking Chinese style beverages that moisturise the lung. “LiLaiWuSan (梨來霧散)” in 2017 will start with paying attention to consumers’ concern about the changes in weather conditions. “A Moistening Pear Herb Juice Gift that always Stays with You (清潤好禮, 如飲隨行)” gift box will be introduced in 2017. In addition, the Group will continue to spend a lot of effort in marketing to build up brand value with a slogan of “this is what Chinese style drinks should always be (中式調飲本應如此)”.

In 2017, in terms of juice drinks, the Group will keep on building the above-mentioned brands. Besides, “Uni More Orange Juice (統一鮮橙多)” and “Orange PLUS (橙plus)” will be enhanced by “Uni More Orange Juice (統一鮮橙多)” with “Orange Plus Pomelo Pulp (加柚)” to highlight the pomelo pulp and an unparalleled taste created by offering “refreshing orange juice with pomelo pulp (清爽橙汁+飽滿柚粒)”. Marketing and product innovation will be improved in 2017 in hopes that a broad range of juice drinks can meet different consumers’ needs better leading to good health and quality growth.

Combined Drinks Business

Milk Tea

According to Nielsen’s data, the overall milk tea market in 2016 declined by 9.0%, narrowed by 11.2% compared to the 2015 recession, indicating that the market has gradually stabilized. By virtue of competitive smooth taste and excellent quality of its products, the Group continues to challenge itself and optimize the products in the field of milk tea, and to establish its brand value. Market share in 2016 increased to 72.3%, representing a year-on-year growth of 4.5%, ranking first in the market.

For “Uni Assam (統一阿薩姆)”, the Group continued to deeply explore the youth market, and converted the brand advocate of “Smooth Happiness (順滑好心情)” into happiness ingredient that can be experienced anytime, and held the annual activity of “Ask Assam with Good Mood (一問阿薩姆, 碼上好心情)”. The packaging of “Q&A Bottle (問答瓶)” was welcomed by young consumers on the Internet, and the funny interactions between consumers and the “Q&A Bottle (問答瓶)” in microblog spread the happiness of young people. The advertising film by spokesperson Amber Kuo Tsai-chieh and “Happiness Factor (好心情因數)” was accurately delivered in young people’s favorite TV and video site programs. The “Asking Assam for Whimsy Reply (一問阿薩姆神回覆)” solicitation activity held at the Bilibili website beloved by the youth born after 1995 has inspired the interest of young people, and has improved the strength of communication through website interactions. The “Rock Salt Cheese (岩鹽芝士)” milk tea flavour will be newly launched in 2017 and sold in key markets at first, and will be gradually extended to the whole country, offering young consumers a new and differentiated experience.

“Assam Small Milk Tea (阿薩姆小奶茶)” combines real milk (Australian frozen milk) and real tea (South African Louis Bose tea), highlighting the differentiated taste of the product. The core demand for “Going Back to the Childhood of Milk Tea (回到奶茶小時候)” has been adhered to in brand marketing. In the second half of 2016, the product was further optimized to strengthen the sales of hot drinks in winter. In terms of marketing, the Group continued to have in-depth cooperation with the world famous peanut comics, and through “Snoopy (史努比)”, the pure essence of the small milk tea was vividly shown. At the same time, by utilizing festivals (e.g. Christmas, New Year’s Day) and through interesting topic interactions beloved by white-collars, the spread by Internet and mobile new media was maximised, so as to enhance preference towards the brand.

In 2017, the Group’s milk tea business will continue to lead the milk tea market to a healthier and broad road, with the aim to satisfy consumers and to provide more fresh products to the store shelves, so as to make each “Uni Assam (統一阿薩姆)” fresh and smooth happiness, and to create a better experience of milk tea.

Aqua More

“Aqua More (水趣多)” was launched in March 2016. It combines the water fun packaging and the fresh and delicious lactic acid bacteria flavour to meet the demands of target consumers. The Group focused on operating in core cities, and in terms of marketing, the Group combined the funny elements of the newly launched movie “Ice Age 5 (冰川世紀5)” and the product, to bring consumers new and funny experiences.

Others

Coffee

In recent years, with the rapid expansion of coffee shops in major cities and substantial growth of freshly brewed coffee in convenience stores, coffee culture has gradually become popular and become a new trend of young people nowadays, affecting the habits and taste of coffee drinkers, making significant changes to the consumption trends and patterns of ready-to-drink coffee.

For the “A-Ha (雅哈)” coffee, in 2016, the Group used the drinking time as “chat communication (聊天交流)” as the starting point, and put forward “Enjoy the good taste and chat happily (對味喝、愉快聊)” as the brand positioning, and enhanced brand awareness by cooperation with the Internet conversation program “Let’s Talk 3 (奇葩說)”. In 2017 the brand of “A-Ha (雅哈)” will be integrated by using the same smiley brand trademark. In addition to the “Ice Coffee (冰咖啡)”, “Italian series (意式)” and “Hey” series, the Group will launch the “Dear” fancy coffee to bring consumers better and comprehensive experience.

Bottled Water

With the improvement of environmental and health awareness in the PRC, people become increasingly aware of the importance of sunshine, air and water, and the idea of drinking good water has been further enhanced. The Group focused on natural mineral water, and the revenue from packaged drinking water in 2016 showed positive growth over the same period last year.

In 2016, the leading brand “ALKAQUA (愛誇)” hired Mr. Wang Kai (王凱), one of the most popular actors at the moment, as the brand ambassador. “Appearance accounting for 30% and inner beauty accounting for 70% (30%靠顏值, 70%是內在)”, one of the brand values of “ALKAQUA (愛誇)”, was perfectly presented through commercials, interviews and embedded ads in TV series, etc. The Group strengthened new media marketing to win young consumers with a slogan of “ALKAQUA 70% of me (愛誇70%的我)”. The Group also introduced the packaging of “ALKAQUA (愛誇)” with labels varied in colours in May. Consumers love the new packaging, and many of them looked for the bottles for collection. The brand awareness and fondness was significantly higher.

The Group will continue to focus on the marketing of “ALKAQUA (愛誇)” in 2017, and offer high-quality and tasteful natural water to consumers. The connection with consumers will be tightened by greater efforts on marketing in new media. Packages with six bottles for sharing and bottles of a volume size of 1.5 litres would be soon joining “ALKAQUA (愛誇)” product range to provide customers with more volume sizes to choose from for different consumption occasion.

RESEARCH AND DEVELOPMENT

The Group’s R&D centre is the powerhouse of the Group’s industry-leading innovations. The centre worked hard to create trendy products with high added value to lead customers’ demand. In terms of the protection of core technologies and intellectual properties, the R&D centre has taken out 29 patents, and applications for another 52 are under way in order to put up a tall wall against intellectual property theft.

“Aqua More (水趣多)” is a fermented whey drink using the Group’s patented “Lactic Acid Bacteria LV108, originating from Bama, a longevity village in China (中國長壽鄉巴馬乳酸菌LV108)”. It also has consumers’ beloved elderflowers, a famous flower plant in Europe, as one of its ingredients. All these features and ingredients give consumers the impression that “Aqua More (水趣多)” quenches thirst and benefits digestive system. The Group’s business is expanding into “near water (近水)” market, to make plain water become “funny and tasty (有趣好喝)”.

“Uni Assam (統一阿薩姆)” understands consumers’ needs for fancy drinks. The new “Rock Salt Cheese (岩鹽芝士)” milk tea is a perfect blend of pure Himalayan rock salt, fragrant Danish Cheddar cheese and Indian black tea. Its mild tea aroma and creamy, silky smooth and slightly salty taste of cheese give a unique taste to consumers. Unlike conventional sweet milk tea, the Group’s unique and innovative drinks are definitely a game changer and a groundbreaker for milk tea market.

“Soup Daren (湯達人)” now has a new “Korean Spicy Beef Soup (韓式辣牛肉湯)” flavour. Its main ingredients are Korean hot sauce, Korean soybean paste, chillies with different flavours (e.g., hot, sweet and fragrant), classic Korean pickled cabbage (泡菜) and big pieces of beef. Consumers are able to experience an exotic blend of flavours such as sweet, hot, rich, appetisingly fragrant and sour while at the same time enjoy the feeling of “Bottoms-up for the Nourishing Soup (元氣高湯, 一碗見底)”.

With making a high-end meal alternative for the PRC domestic market in mind, “Imperial Banquet (滿漢宴)” has carefully selected ingredients, including high-quality dried frozen vegetables (e.g., broccoli and carrots). The freezing and drying method can maintain ingredients’ nutrition and freshness. Patiently cooked stock, unique flavour packets with juicy and tender meat and low-fat non-fried noodles are definitely going to feast people’s appetite. “Imperial Big Meal (滿漢大餐)” represents the essence of the Chinese royal delicacies, “Imperial Feast (滿漢全席)” with an aim to create the most valuable meal alternatives for consumers. “Beef Brisket with Tomato Noodles (玉蕃茄牛腩麵)” and “Pork with Bamboo Shoots Noodles (御筍珍肉麵)” have their own flavour packets with juicy and tender braised meat, which is pressure-cooked at high temperature. Additionally, non-fried noodles are a much healthier choice compared to fried noodles. The products bring consumers high quality and delicious delicacies.

FOOD SAFETY

The Group always upholds “high-quality, reliable and reasonably priced products with good service (三好一公道：品質好、信用好、服務好、價格公道)”. Thanks to this, customers can enjoy safe, healthy and delicious food. With an aim to bring the Group’s food safety management to a higher level, the Group has established a food safety committee and a centre for food safety to establish food safety control system, set up food safety policies, enhance risk assessment in food safety with a pre-alarm and monitoring system. The Group is also responsible for managing the quality control system and implementing quality policies to ensure product quality.

The Group has never stopped improving the supervisory mechanism for raw material supply. The food safety control at the starting point of supply chain and finished goods is of top priority. The Group inspects supplier qualification in food safety, conducts site inspections and controls food quality through a supervisory system in order to ensure that food quality and safety control starts from the point of origin. The Group also has a system for inspecting manufacturing sites and qualifications. All products must pass a quality and food safety check before distribution pursuant to laws and regulations. Every aspect of food safety of all products are strictly supervised. All these measures aim at ensuring that the Group’s products are safe and delicious.

The Group spares no efforts in supplier source management. The Group provides trainings and inspections conducted by certified third-party institutions on suppliers, helping them set up their own food safety and quality control system in a scientific and effective way. The Group has also implemented a detailed food safety plan, covering product design, manufacturing processes and channel distribution to ensure consumers are satisfied with the Group’s products.

The Group keeps abreast of the latest food safety incidents in the industry and conducts risk assessment exercise in a timely manner. The Group re-examines its own similar raw materials and finished products and improve the food safety control system when such incidents happen. The Group helps to set up and revise many national standards related to food safety. Relevant regulations and information both at home and abroad are collected and published to enhance the Group's food safety awareness and ensure compliance with regulations and standards. All these measures are a strong protection for consumer rights.

The Group's food safety testing centre has been accredited by China National Accreditation Service for Conformity Assessment (CNAS) every year since 2005. The 165 accredited test items the Group has passed to date and resources of the subsidiaries' laboratories and of some external inspection bodies cover the major food safety inspection requirements. Thus, the Group has access to professional and authoritative testing services and technical supports, to help ensure food safety.

As at 2016, 31 subsidiaries of the Group were certified with ISO9001, the internationally recognised standard for Quality Management Systems, and 28 subsidiaries were certified with ISO22000, the internationally recognised standard for Food Safety Management System, and some other standards. All these certifications and honours require corporations to continuously improve food safety and quality management systems. They also show that the Group's products are not only delicious, but also healthy and safe.

PRODUCTION STRATEGIES

The Group spares no effort in operation, research and development, innovation, brand building and sales expansion, aiming to meet customer needs, develop and strengthen the corporation and maximize revenue. The Group does not rely on its own production resources only. It also outsources its production to other professional beverage manufacturers (including external independent third parties and related parties companies). Thanks to the long-term cooperation, a strategic alliance is formed, giving the Group some production flexibility. Thus, the Group is able to fully utilise its resources on core operation and try to achieve the best outcome.

FINANCIAL RESULTS

For the year ended 31 December 2016 (the "Year"), the Group recorded a revenue of RMB20,985.5 million, representing a decrease of approximately 5.1% from RMB22,101.9 million of 2015. Revenue from the instant noodles business increased by 8.6%, and revenue from the beverage products business decreased by 13.3%, standing at RMB8,221.1 million and RMB12,180.7 million respectively, accounting for 39.2% and 58.0% respectively of the Group's total revenue. During the Year, gross profit of the Group decreased by 11.2% from RMB8,140.7 million of the corresponding period last year to RMB7,227.8 million while gross profit margin decreased by 2.4 percentage points from 36.8% for the corresponding period of last year to 34.4%, which were mainly due to a decline in revenue from the beverage business.

Operating profit was RMB962.5 million for the Year, decreasing by 6.7% from the operating profit of RMB1,031.5 million for 2015. During the Year, share of profits of investments accounted for using the equity method decreased 17.5% to RMB93.1 million (2015: RMB112.9 million). During the Year, profit attributable to equity holders of the Company was RMB607.3 million, representing a decrease of 27.2% as compared with RMB834.5 million of the corresponding period last year, which were mainly attributable to a decline in revenue from the beverage business. Earnings per share during the Year were RMB14.06 cents (2015: RMB19.32 cents).

During the Year, the Group focused on key markets, effectively refined channels, built its brands and precisely targeted markets with its internal and external marketing resources. As a result, the selling and marketing expenses decreased by 7.4% to RMB5,849.9 million (2015: RMB6,320.5 million). During the Year, administrative expenses amounted to RMB999.0 million (2015: RMB1,015.6 million), representing a decrease of 1.6% compared to the corresponding period last year, which was mainly due to a corresponding decrease in surtaxes (such as urban maintenance and construction tax) resulting from the decrease in gross profit of the Group.

FINANCIAL ANALYSIS

Cash and Borrowings

As at 31 December 2016, the Group had cash and time deposits of RMB2,463.2 million (31 December 2015: RMB2,915.1 million), among which 96.2% were denominated in Renminbi and 3.3% were denominated in United States dollars. During the Year, the Group mainly financed its working capital and capital expenditure by internally generated cash flows and the proceeds from disposal of interests in Jinmailang Beverage Corporate Limited (“JML Beverage”), of which the remaining balance was applied to repay borrowings. As at 31 December 2016, the Group’s total financial liabilities was RMB2,600.2 million (31 December 2015: RMB4,254.3 million), decreased by 38.9%, and 19.2% of such financial liabilities were repayable over one year. All of the Group’s total financial liabilities were denominated in Renminbi. As at 31 December 2016, all of the Group’s financial liabilities bore floating interest rates, save for the RMB1,000 million notes due 2017, the RMB500 million notes due 2017 and the RMB500 million notes due 2019, which were at fixed interest rates of 3.6%, 3.5% and 3.9% per annum respectively. As at 31 December 2016, the Group did not have any secured bank borrowings (31 December 2015: 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 30 June 2016 and recognised a long term credit rating of twAA- to the Group on the same day, with the upgrade from "Stable (穩定)" to "Positive (正向)" rating outlook on the Group's long term credit rating. The following table sets out the gearing ratios of the Group during the two years ended 31 December 2016:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total borrowings	2,600,169	4,254,316
Less: cash and time deposits	<u>(2,463,201)</u>	<u>(2,915,109)</u>
Net debt	136,968	1,339,207
Total equity	<u>12,040,111</u>	<u>11,602,403</u>
Total capital	<u><u>12,177,079</u></u>	<u><u>12,941,610</u></u>
Gearing ratio (Note)	<u><u>1.12%</u></u>	<u><u>10.35%</u></u>

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

The Group reviews its gearing ratio on a regular basis. According to the capital plan for the future, the Group tries to maximise revenue for shareholders with capital risk awareness in mind. Capital structure is being constantly adjusted according to changes in the operational environment.

Cash Flow and Capital Expenditure

As at 31 December 2016, the Group recorded a year-on-year net increase in cash and cash equivalents of RMB592.1 million, comprising net cash inflow from operating activities of RMB2,143.05 million, net cash inflow from investing activities of RMB272.2 million, and net cash outflow from financing activities of RMB1,823.2 million. The net cash inflow was mainly due to the disposal of interests in JML Beverage. The Group's capital expenditure for the year is RMB1,126.0 million (31 December 2015: RMB1,400.8 million), which was mainly resulted from investments in acquiring new equipment, modifying equipment, building a distribution network and acquiring R&D equipment etc.

Analysis of Operating Efficiency

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 Year, as the number of the Group's credit sales clients increased, and net trade receivables increased by RMB13.7 million to RMB542.9 million (31 December 2015: RMB529.2 million).

The Group's trade payables mainly arose from credit purchase of raw materials, and the inventories mainly comprised raw materials, packaging materials, finished goods and low-value consumables. As the Group strategically adjusted product supply strategy in the second half of 2016, trade payables decreased by RMB90.8 million to RMB1,138.2 million (31 December 2015: RMB1,229.0 million), while the inventories decreased by RMB153.2 million from last year to RMB1,214.5 million (31 December 2015: RMB1,367.7 million). The following table sets out the major turnover days during the two years ended 31 December 2016.

	Year ended 31 December	
	2016	2015
Trade receivables turnover days	9	8
Inventories turnover days	34	32
Trade payables turnover days	<u>31</u>	<u>30</u>

Trade receivables turnover days is calculated based on the average of trade receivables balances at the beginning and at the end of the year divided by revenue multiplied by days in the year.

Inventory turnover days is calculated based on the average of inventory balances at the beginning and at the end of the year divided by cost of sales multiplied by days in the year.

Trade payables turnover days is calculated based on the average of trade payables balances at the beginning and at the end of the year divided by cost of sales multiplied by days in the year.

The Group reckons that inventory turnover days, trade receivables turnover days and trade payables turnover days in the distribution channel help the Group in understanding its ability to convert inventory into cash and sales and cash conversion cycle. Through reviewing and improving the turnover days, the Group can improve its revenue, profit, the ability to develop continuously and operational efficiency.

Financial Management

The Group adheres to the principle of financial prudence. It seeks to control risk variables and moved forward prudently by moderately adjusting its selling and marketing expenses according to market condition, and made appropriate capital expenditures to optimize and expand the basic infrastructure. The Group's finance department has formulated financial risk management policies based on the policies and procedures approved by the Board and guided by the executive Directors. These policies are reviewed by the Group's internal audit department regularly. The Group's financial policy aims at reducing impacts of interest rate and exchange rate fluctuations on the Group's overall financial position, as well as minimizing the Group's financial risk exposure.

The Group's finance department provides centralized 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 Year, the Group gathered the shared service centers for different accounting regions, the regional finance center and the settlement center for centralised accounting treatment, 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 the working capital in financial products with significant underlying leverage or risk, including hedge funds or similar instruments. The Group continued to adopt a conservative approach to financial risk management with no significant bank borrowings during the Year.

Most of the Group's currency of receipt and payment is denominated in Renminbi since majority of its revenue are derived from operations in the PRC. The Group may be exposed to foreign exchange risk arising from future borrowings from overseas and some of its recognized assets or liabilities, such as cash and cash equivalents and borrowings, which are denominated in other currencies. The Group uses foreign exchange forward contracts outside the PRC, when appropriate, for risk management and to control the Group's assets and liabilities when interest or exchange rates are uncertain or fluctuating, or whenever suitable.

SIGNIFICANT INVESTMENT

As at 31 December 2016, the fair value of the Group's available-for-sale financial assets was RMB225.5 million (31 December 2015: RMB227.0 million), which is resulted from the fair value changes of listed securities. The fair value of available-for-sale financial assets mainly consist of the fair value of the equity of China Haisheng Juice Holdings Co., Ltd. (listed securities) of approximately RMB13.9 million and the fair value of the equity of Heilongjiang Wondersun Dairy Joint Stock Co., Ltd. (non-listed securities) of approximately RMB211.6 million.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2016.

CHARGES ON GROUP ASSETS

The Group did not have any charges on group assets as at 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL

On 9 May 2016, two indirect wholly-owned subsidiaries of the Company as vendors (the “Vendors”) entered into the share transfer agreement with Consistent Returns Pte. Ltd., (the “Purchaser”), pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, approximately 47.83% of the total issued share capital of JML Beverage at the consideration of RMB1,291,324,340. After closing, the Group ceased to hold any interest in the JML Beverage.

Saved as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Directors confirmed that as at the date of this announcement, 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.

PROSPECT

The domestic and overseas political and economic environment in 2017 is full of uncertainty, and the market has become even more unstable. The rapid development of the Internet changes the way people live and the way consumers shop. Nowadays, food delivery apps are on the rise, and various exquisite customized products are what everyone is after. This new trend adds pressure on conventional food and beverage products. Young customers’ love for the Internet has led to the evolution of marketing. The Group always puts shareholders’ long-term benefits in the first place. The Group’s product innovations, brand building, observations on market changes, active adjustment on sales tactics are going to help it take the preemptive opportunities, expand market share, increase revenue and bring more benefits to shareholders.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was 31,754. 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 comprehensive trainings, humane care and etc. Internal trainings, regular position transfer, external part-time study and other measures can enhance overall performance and provide talents for important positions of the Group steadily. Meanwhile, internal promotion, performance evaluation and others measure 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 that 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. For the Group's remuneration policy, 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. In addition to the employment contracts with mid-level and senior management staff, the employment contracts are for one to three years, with a probation period of two months for new staff.

During the Year, total staff costs (including directors' remuneration) were RMB3,176.8 million (2015: RMB3,164.7 million).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the external auditors of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Board reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the Year and has recommended their adoption by the Board.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB2.812 cents per share for the Year.

The final dividend will be paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China for five days prior to the date of the annual general meeting of the Company. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company, the final dividend will be paid on or around Thursday, 15 June 2017 to shareholders whose names appear on the register of members of the Company on Monday, 29 May 2017.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all code provisions of the corporate governance code (the “Corporate Governance Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the Year, except for the deviation as disclosed below:

Code Provision A.2.7 of the Corporate Governance Code requires the Chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Lo Chih-Hsien, the Chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company or any of its subsidiaries during the Year.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

RE-ELECTION OF DIRECTORS

In accordance with Article 130 of the articles of association of the Company (the “Articles of Association”), each of Mr. Lo Chih-Hsien, Mr. Hou Jung-Lung and Mr. Chen Kuo-Hui will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Lo Chih-Hsien and Mr. Chen Kuo-Hui being eligible, will offer himself for re-election while Mr. Hou Jung-Lung will not offer himself for re-election due to his other business commitments. There is no service contract entered into between each of Mr. Lo Chih-Hsien, Mr. Hou Jung-Lung and Mr. Chen Kuo-Hui and the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Mr. Liu Xinhua will be appointed as an executive Director with effect from 25 March 2017. Pursuant to Article 114 of the Articles of Association, he shall hold office only until the forthcoming annual general meeting of the Company, and being eligible, will offer himself for re-election.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Friday, 19 May 2017 (both days inclusive) in order to determine the entitlement of the shareholders of the Company to attend the forthcoming annual general meeting of the Company to be held on Friday, 19 May 2017, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 12 May 2017.

The register of members of the Company will be closed from Thursday, 25 May 2017 to Monday, 29 May 2017 (both days inclusive) in order to determine the entitlement of shareholders of the Company to receive the final dividend, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 24 May 2017.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 19 May 2017, the final dividend will be paid on or around Thursday, 15 June 2017.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The consolidated financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2015 or 2016 but is derived from those financial statements. The 2016 annual report of the Company will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at <http://www.uni-president.com.cn> in due course.

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

24 March 2017

As at the date of this announcement, the Board comprised Mr. Lo Chih-Hsien and Mr. Chen Kuo-Hui as executive directors; Mr. Hou Jung-Lung 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.