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UNI-PRESIDENT CHINA HOLDINGS LTD.
統一企業中國控股有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 220)

ANNOUNCEMENT OF 2017 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB21,296.5 million, up by 1.5% as compared with the previous year.
- Group gross margin was 33.1%, down by 1.3 percentage points as compared with the previous year.
- EBITDA was RMB2,724.2 million, up by 4.4% as compared with the previous year.
- Profit attributable to equity holders of the Company was RMB878.2 million, up by 44.6% as compared with the previous year.

FINAL DIVIDEND

- Final dividend for 2017 of RMB14.23 cents per share has been proposed.

The year 2017 marked the 10th anniversary of the listing of Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together as the “Group”, “our Group”, “we” or “us”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Group adhered to its corporate vision of “Honesty and Diligence; Innovation and Excellence (誠實勤道、創新求進)”. Upholding the principle of “Honest Operation (正派經營)”, we aim to become consumers’ favourite and win investors’ confidence. China’s economic development has led to consumption upgrade over times and consumers demand better quality. In view of this, we will strive to achieve higher customer satisfaction.

Uni-President Enterprises Corporation, the Company's holding company, and its subsidiaries will enter the first year after the golden jubilee in 2018. Adhering to the goal of "High-Quality, Reliable and Reasonably Priced Products with Good Service (三好一公道)" set by our founder Mr. Kao Chin-Yen, we will carry out ongoing optimisation and evolve into an enterprise of "Integrity (品格)", "Brand (品牌)" and "Taste (品味)", where "Integrity (品格)" is the basic ethical norm, "Brand (品牌)" refers to our dedication to creating a distinguishable brand preferred by consumers, and "Taste (品味)" represents the grace and elegance of our outstanding and superb brand image. We shoulder the responsibilities of conveying our traditional virtue and belief through our products, services, platform and culture, thereby promoting mutual prosperity and progress with society.

In 2017, the Group recorded a revenue of RMB21,296.5 million, representing an increase of 1.5% as compared to last year. Due to the rising price of raw materials, the gross profit margin reduced to 33.1%, down by 1.3% from 2016. Profit attributable to shareholders of the Company ("Shareholders") was RMB878.2 million, representing an increase of 44.6% as compared to the corresponding period last year, which was the result of effective management in expense control. The revenue of instant noodles business slightly decreased by 0.7% to RMB8,162.6 million. The market share has made a further breakthrough to 21.2%, in which "Soup Daren (湯達人)" grew rapidly under the continuous implementation of mid-high end instant noodles marketing strategy, and became a significant brand priced at RMB5.0 and above in the market. The revenue of the beverages business amounted to RMB12,465.5 million, representing a growth of 2.3% as compared to the same period of last year. "Assam Milk Tea (阿薩姆奶茶)", "Uni Green Tea (統一綠茶)" and "Uni Ice Tea (統一冰紅茶)" regained growth momentum and achieved satisfactory sales performance in 2017.

DIVIDENDS

Having accounted for the Group's overall performance, surplus, financial condition, capital expenditures, etc. in 2017, the board of directors (the "Board") proposes to declare a final cash dividend of RMB14.23 cents per share (amounting to a total dividend of RMB614.8 million) for the year ended 31 December 2017 at the forthcoming annual general meeting of the Company.

PROSPECT

The economy of the People's Republic of China is expected to grow steadily in 2018. The Group will proceed with focused operations and brand building, and develop new products to enhance customers' convenience and satisfaction. The Group will promote upgrade of lifestyle noodles products. With regard to the beverages sales channels, it will manage and keep the products fresh and adjust sales rhythm when necessary. In 2018, the uncertainties on raw material price may cause further challenges to the Group and operational strategies are required to be adjusted from time to time, testing their adaptability to changes in the industry. The Group will strive to maximize Shareholders' interests.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	21,296,534	20,985,532
Cost of goods sold	4	<u>(14,245,011)</u>	<u>(13,757,732)</u>
Gross profit		7,051,523	7,227,800
Other (losses)/gains – net		(31,526)	298,193
Other income		383,777	409,172
Other expenses	4	(75,682)	(123,762)
Selling and marketing expenses	4	(5,153,798)	(5,849,868)
Administrative expenses	4	<u>(987,683)</u>	<u>(999,024)</u>
Operating profit		1,186,611	962,511
Finance income		113,484	107,898
Finance costs		<u>(51,774)</u>	<u>(95,584)</u>
Finance income – net	5	61,710	12,314
Share of profits of investments accounted for using the equity method		<u>28,503</u>	<u>93,147</u>
Profit before income tax		1,276,824	1,067,972
Income tax expense	6	<u>(398,608)</u>	<u>(460,643)</u>
Profit for the year and attributable to equity holders of the Company		<u>878,216</u>	<u>607,329</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>20.33 cents</u>	<u>14.06 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Note</i>	2017 RMB'000	2016 <i>RMB'000</i>
Profit for the year		878,216	607,329
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		(3,435)	(1,496)
Impairment of available-for-sale financial assets		20,419	—
Other comprehensive income/(loss) for the year, net of tax		16,984	(1,496)
Total comprehensive income for the year and attributable to equity holders of the Company		895,200	605,833

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		2,103,701	2,221,526
Property, plant and equipment		10,504,391	11,097,233
Investment properties		353,123	365,384
Intangible assets		18,959	29,645
Investments accounted for using the equity method		719,716	730,474
Available-for-sale financial assets		222,093	225,528
Deferred income tax assets		286,972	349,727
Other receivables – non-current portion		7,117	11,280
		<u>14,216,072</u>	<u>15,030,797</u>
Current assets			
Inventories		1,159,373	1,214,527
Trade receivables	9	562,952	542,934
Prepayments, deposits and other receivables		1,255,424	1,453,968
Financial assets at fair value through profit and loss		60,000	–
Cash and bank balances		2,782,731	2,463,201
		<u>5,820,480</u>	<u>5,674,630</u>
Total assets		<u><u>20,036,552</u></u>	<u><u>20,705,427</u></u>

	<i>Note</i>	2017 RMB'000	2016 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		2,384,476	2,236,765
Retained earnings		5,561,338	4,933,683
		<u>12,815,477</u>	<u>12,040,111</u>
Total equity		12,815,477	12,040,111
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		174,175	191,802
Borrowings		500,000	500,000
Other payables – non-current portion		251,319	430,879
		<u>925,494</u>	<u>1,122,681</u>
Current liabilities			
Trade payables	<i>10</i>	1,396,000	1,138,154
Other payables and accruals		4,025,729	4,044,333
Borrowings		834,768	2,100,169
Current income tax liabilities		39,084	259,979
		<u>6,295,581</u>	<u>7,542,635</u>
Total liabilities		7,221,075	8,665,316
Total equity and liabilities		20,036,552	20,705,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, Uglund 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

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017:

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

HKAS 12 (Amendments) “Income taxes” is effective for annual periods beginning on or after 1 January 2017. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 12 (Amendment) “Disclosure of interest in other entities” is effective for annual periods beginning on or after 1 January 2017. The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS12 is applicable to interest in entities classified as held for sale except for summarized financial information.

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

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9

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 2017 and 2016 is as follows:

	2017				Group RMB'000
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	
Segment results					
Revenue	<u>12,465,469</u>	<u>8,162,627</u>	<u>668,438</u>	<u>–</u>	<u>21,296,534</u>
Segment profit/(loss)	1,015,245	411,815	49,210	(289,659)	1,186,611
Finance income – net	–	–	–	61,710	61,710
Share of profit of investments accounted for using the equity method	18,971	–	–	9,532	<u>28,503</u>
Profit before income tax					1,276,824
Income tax expense					<u>(398,608)</u>
Profit for the year					<u>878,216</u>
Other segment items included in the income statement					
Depreciation and amortisation	<u>966,893</u>	<u>265,738</u>	<u>70,424</u>	<u>98,450</u>	<u>1,401,505</u>
Segment assets and liabilities					
Assets	10,263,188	3,665,027	630,157	4,758,464	19,316,836
Investments accounted for using the equity method	575,265	–	–	144,451	<u>719,716</u>
Total assets	10,838,453	3,665,027	630,157	4,902,915	<u>20,036,552</u>
Liabilities	3,378,047	1,717,052	573,274	1,552,702	<u>7,221,075</u>
Total liabilities					<u>7,221,075</u>
Capital expenditure	<u>623,483</u>	<u>114,872</u>	<u>624</u>	<u>11,779</u>	<u>750,758</u>

	2016				
	Beverages <i>RMB'000</i>	Instant noodles <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Group <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/(loss) 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>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, available-for-sale financial assets, financial assets at fair value through profit and loss, 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:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– PRC	13,636,185	14,372,869
– Overseas countries	63,705	71,393
Financial instruments	229,210	236,808
Deferred income tax assets	286,972	349,727
	<u>14,216,072</u>	<u>15,030,797</u>

4 Expenses by nature

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

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials, packaging materials, consumables and purchased commodity used	12,118,282	11,696,352
Changes in inventories of finished goods	96,344	85,723
Manufacturing outsourcing expenses	43,087	7,793
Promotion and advertising expenses	1,798,144	2,251,242
Employee benefit expenses, including directors' emoluments	3,025,180	3,176,774
Transportation expenses	833,989	865,816
Amortisation of land use rights	57,206	56,836
Depreciation of property, plant and equipment	1,314,559	1,338,321
Depreciation of investment properties	18,592	18,262
Amortisation of intangible assets	11,148	19,351
Operating lease in respect of buildings	137,017	157,962
City construction tax, property tax and other tax surcharges	273,722	276,449
Provision/(reversal) of provision of inventories to net realisable value	(2,825)	3,821
Provision for impairment of trade receivables (<i>Note 9</i>)	6,604	3,118
Auditors' remunerations		
– Audit services	7,269	7,872
Others	723,856	764,694
Total	<u>20,462,174</u>	<u>20,730,386</u>

5 Finance income – net

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Finance income		
– Interest income on cash and banks	<u>113,484</u>	<u>107,898</u>
Finance cost		
– Interest expenses on borrowings	(61,038)	(141,770)
– Net foreign exchange gains/(losses)	(5,857)	12,461
– Less: amounts capitalized on qualifying assets	<u>15,121</u>	<u>33,725</u>
	<u>(51,774)</u>	<u>(95,584)</u>
Finance income – net	<u><u>61,710</u></u>	<u><u>12,314</u></u>

6 Income tax expense

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current income tax		
– Current income tax on profit for the year	319,067	467,781
Deferred income tax	45,128	(27,138)
Withholding tax on dividends from a PRC subsidiary	<u>34,413</u>	<u>20,000</u>
	<u><u>398,608</u></u>	<u><u>460,643</u></u>

(a) PRC corporate income tax (“CIT”)

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

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

(b) Other income tax

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

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

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% (2016: 25%) applicable to profits of the consolidated entities as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit before income tax	<u>1,276,824</u>	<u>1,067,972</u>
Tax calculated at the statutory tax rate in the PRC	319,206	266,993
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	(416)	(8,814)
Utilisation of previously unrecognized tax losses	-	(1,415)
Tax losses and temporary differences for which no deferred income tax asset was recognized	46,563	35,664
Income not subject to tax	(7,126)	(23,286)
Expenses not deductible for tax purpose	12,142	32,751
Income tax charge from disposal of an associate	-	138,750
Additional deduction of research and development expenses	(6,174)	-
Withholding tax on dividends from a PRC subsidiary	<u>34,413</u>	<u>20,000</u>
Income tax expense	<u>398,608</u>	<u>460,643</u>

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

	2017			2016		
	Before tax <i>RMB'000</i>	Tax charge <i>RMB'000</i>	After tax <i>RMB'000</i>	Before tax <i>RMB'000</i>	Tax charge <i>RMB'000</i>	After tax <i>RMB'000</i>
Other comprehensive income:						
– Impairment of available-for-sale financial assets	20,419	-	20,419	-	-	-
– Net fair value losses from available-for-sale financial assets	<u>(3,435)</u>	<u>-</u>	<u>(3,435)</u>	<u>(1,496)</u>	<u>-</u>	<u>(1,496)</u>
Deferred income tax		<u>-</u>			<u>-</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.

	2017	2016
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	878,216	607,329
Weighted average number of ordinary shares in issue (<i>thousands</i>)	4,319,334	4,319,334
Basic earnings per share (<i>RMB per share</i>)	<u>20.33 cents</u>	<u>14.06 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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Proposed final dividend of RMB14.23 cents (2016: RMB2.812 cents) per ordinary share	<u>614,751</u>	<u>121,466</u>

The dividends paid by the Company in 2017 and 2016 for the years ended 31 December 2016 and 2015 amounted to RMB119,834,000 and RMB168,125,000, respectively.

A dividend in respect of the year ended 31 December 2017 of RMB14.23 cents per share, amounting to a total dividend of RMB614,751,000, is to be proposed at the annual general meeting to be held on 18 May 2018. These financial statements do not reflect this dividend payable.

9 Trade receivables

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables from independent third parties	575,244	505,932
<i>Less:</i> provision for impairment	<u>(15,478)</u>	<u>(10,086)</u>
Trade receivables from independent third parties, net	559,766	495,846
Trade receivables from related parties	<u>3,186</u>	<u>47,088</u>
Trade receivables, net	<u>562,952</u>	<u>542,934</u>

The credit terms granted to customers by the Group are usually 60 to 90 days (2016: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	532,329	511,148
– 91 to 180 days	41,368	38,986
– 181 to 365 days	3,366	1,437
– Over one year	<u>1,367</u>	<u>1,449</u>
	<u>578,430</u>	<u>553,020</u>

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

	2017 RMB'000	2016 <i>RMB'000</i>
Trade receivables, gross		
– RMB	575,778	547,913
– USD	218	1,706
– HKD	2,434	3,401
	<u>578,430</u>	<u>553,020</u>

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

As at 31 December 2017, trade receivables of approximately RMB116 million (2016: RMB110 million) were overdue and the amount of provision for impairment was approximately RMB15.4 million (2016: RMB10.1 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:

	2017 RMB'000	2016 <i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	69,920	68,156
– 91 to 180 days	41,368	38,986
– 181 to 365 days	3,366	1,437
– Over one year	1,367	1,449
	<u>116,021</u>	<u>110,028</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:

	2017 RMB'000	2016 <i>RMB'000</i>
At 1 January	10,086	8,573
Provision for impairment of trade receivables (<i>Note 4</i>)	6,604	3,118
Receivables written off as uncollectible	(1,211)	(1,605)
At 31 December	<u>15,479</u>	<u>10,086</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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables		
– to independent third parties	1,127,978	869,243
– to related parties	<u>268,022</u>	<u>268,911</u>
	<u>1,396,000</u>	<u>1,138,154</u>

The credit terms granted by suppliers to the Group are usually 30 to 90 days. The ageing analysis of trade payables is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables		
– Within 30 days	1,032,357	914,159
– 31-90 days	293,730	176,412
– 91-180 days	35,636	16,236
– 181 to 365 days	22,133	21,323
– Over 1 year	<u>12,144</u>	<u>10,024</u>
	<u>1,396,000</u>	<u>1,138,154</u>

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

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC ENVIRONMENT

The GDP of the PRC increased by 6.9% in 2017 as compared to last year, which is in line with the forecasts made by the PRC government. Given the steady economic development, domestic consumption continued to expand. At the same time, changes in the global economy, such as the trade war and Brexit, continued to expose the Group to economic and financial uncertainties.

In the industry, the instant noodles business came out of the downturn and the overall industry started to recover. As the beverages industry rebounded, restructuring of the industry slowed down. Focusing on the brand operational strategy, the Group pursued sustainable growth in the stable economy through building a distinguishable and consumer-recognised brand image.

BUSINESS REVIEW

In 2017, the Group proceeded with focused operation and brand building. After further review of major brands and products in all categories, it removed underperforming products and concentrated on leading brands and flavours. It devoted marketing resources in key sectors and established strengths in particular fields, so as to maximise marketing effectiveness for higher profitability and competitiveness.

Evolving lifestyle and improving living standards have drastically changed consumers' food expectation. The needs for more diverse, convenient and tasty food affect their decision-making and the demand leads to reform. Beside the research and promotion for the upgrade of instant noodles, the Group extended to develop convenient and instant food including self-heating food and frozen fresh noodles. These products can be enjoyed by consumers anywhere at anytime, and are designed to meet the consumption trend for modern day life. Based on the actual market demand for beverages, the Group adjusted the sales rhythm and set sales targets with reference to seasonal demand. As a result, consumers are offered with fresher products and better beverages experience. In 2017, the Group recorded a revenue of RMB21,296.5 million, representing an increase of 1.5% as compared with the corresponding period last year. Information about the Group's businesses are as follows:

Food Business

The Group adopted segmented marketing for its instant noodles brands in 2017. Under the model, each segment team promoted products based on prices and nature, which allowed more focused and suitable marketing initiatives. With product development taking into account of lifestyle changes, it is expected that more new products will be launched.

Instant Noodles Business

The Group recorded a revenue of RMB8,162.6 million for the instant noodles business in 2017. As a part of the main strategy, it eliminated underperforming products and focused on promoting upgraded products. Consequently, “Soup Daren (湯達人)” lived up to the expectation and achieved rapid growth, and the product mix of instant noodles underwent improvement. Despite rising cost of raw materials, the Group boosted profitability through optimisation of product structure and precise management of marketing expenses. The profit hit a record high of RMB411.8 million.

Being a leader in the product category, “Uni-President Lao Tan Pickled Cabbage and Beef Flavoured Noodles (統一老壇酸菜牛肉麵)” continued to pursue excellence in product competitiveness and consumer experience. The opening of the pickled cabbage factory for public visit offered consumers the first-hand experience with the Group’s authentic production process and stringent food safety system, thereby promoting the core value of “Authentic Sourness and Crunchiness (正宗酸爽)”. In terms of marketing communication, it extended its reach through the drama shows “Surgeons (外科風雲)” and “Midnight Diner (深夜食堂)”. To celebrate the 15th anniversary of “Uni-President Lao Tan (統一老壇)”, the Group launched virtual reality videos in the fourth quarter of 2017, which presented the production process with creative plots. It also joined hands with Alipay to reward consumers in the “Scan QR Code & Wingold (掃碼贏金喜)” promotion campaign. The “Go Home in Chinese New Year (春節伴您回家)” accumulated brand assets through viral marketing and built rapport with consumers to garner brand loyalty.

The Group made innovations to introduce “Teng Jiao Beef Noodles (藤椒牛肉麵)” in August 2016 in the southwestern region, which has been quite popular. In 2017, the Group promoted “Teng Jiao (藤嬌)” as a brand nationwide. The brand “Teng Jiao (藤嬌)” focuses on the development and innovation of the taste of Teng Jiao (a kind of pepper), to enter into the spicy noodle market, leading consumers to enjoy the special taste of Teng Jiao. At the initial stage of the nationwide launch of “Teng Jiao (藤嬌)”, its refreshing packaging and unique taste had attracted a large number of loyal fans. Later, through innovative advertising and high-exposure media promotion in the Internet popular show “Oh My General (將軍在上)”, brand slogan of “the feeling of the electric shock (觸電的那種感覺)” spread rapidly and so with the brand awareness.

In 2017, as the Group’s main brand of instant noodles upgraded, “Soup Daren (湯達人)” recorded a double-digit revenue growth once again. “Soup Daren (湯達人)”, adhering to the spirit of making the soup extraordinarily well, continues to seek the brand core value of “Nourishing Soup (元氣高湯)”. With respect to product strength, the soup-making technology has been improved and upgraded for many times in pursuit of excellent quality, aiming to offer consumers “Nourishing Soup (元氣高湯)” with deep and rich flavor. In terms of communication effectiveness, “Nourishing Soup, Soup Daren Vitalize Your Life (元氣高湯, 湯達人為生活加元氣)” serves as the main slogan. The new TV advertisement uses the physical property of “Making Soup with Soup (以湯熬湯)” to endorse “Nourishing Soup (元氣高湯)”. Through carefully selected media platforms with high-density sound exposure, combined with Youku (優酷) “Pan-culture (泛文化)” for in-depth topic implantation, “Vitality Hall (元氣館)” and other promotion modes widely praised by consumers, “Soup Daren (湯達人)” conducted in-depth interaction with consumers to trigger resonance, thus continuing to enhance brand visibility and brand image.

The brand of “Imperial Big Meal (滿漢大餐)” introduced a new flavour, “Taiwan Braised Beef and Beef Tendon Noodles (台式半筋半肉牛肉麵)” to the market in March 2017. With large piece of genuine beef, refreshing and elastic tendon, and the excellent flavor, the product has been widely affirmed by the consumers. The Group won the trophy of “Convenience Food Innovation Award (方便食品創新獎)” in September 2017 for three consecutive years.

In 2018, the Group’s instant noodles business will focus on the main brand to cultivate key markets. In the premise of food safety, with improving consumer satisfaction as the goal, the Group will make continuous innovation for improvement.

Other Food

Self-heating food “Lazy Time (煮時光)” first introduced “Chongqing Old Hotpot (重慶老火鍋)” in 2018. Positioning itself as “Eat Hotpot at Ease (安心吃火鍋)”, it provides consumers with oil and self-heating bag, bringing more possibilities for the Group to explore in the new lifestyle. Another new product “Q-Fresh (Q小鮮)” entered into the fresh cold noodles market. It is made from selected imported wheat flour and simple ingredients with no preservatives, aiming to provide consumers with a more convenient way to enjoy an alternative taste in their busy lives.

Beverages Business

In 2017, the Group’s beverages business has always adhered to the strategy of operation and brand building. In terms of product and access, it focused on key brands and key markets, phased out products with low margin and no future competitiveness, strengthened the product layout in the first-tier and second-tier cities, and actively expanded the sales network to maximize the benefits with limited resources. In terms of sales, it kept adjusting the sales rhythm according to the different characteristics of seasonal consumer demand, and set different sales targets. With the concept of appropriate level of access inventory, it strived to improve product freshness on the market shelves, so as to bring consumers a better taste experience. With enhancing customer satisfaction as the basis, it adjusted the past inertia industry sales model, resulting in the increase in effectiveness of various aspects. In 2017, profitability of the beverages business improved and increased significantly from the previous year, despite the pressure of growing raw material cost. The annual earnings of the Group’s beverages business recorded a revenue of RMB12,465.5 million, representing a growth of 2.3% compared with the same period last year. The performance of the major drink products are as follows:

Tea Drinks

Earnings of tea beverages business in 2017 recorded a revenue of RMB5,964.0 million, representing a growth of 0.8% compared with the same period last year. During the peak season of the beverages business in 2017, the performance of “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)” was eye-catching, which has changed the gloomy haze of sales during the past few years. The revenue of both products began to achieve positive growth again.

“Uni Ice Tea (統一冰紅茶)” adheres to the brand attitude of “Stay Young for Ever (青春無極限)”. Through the popular youngsters games, it has attracted consumers of the post-95 generation. By working with the popular mobile game “Battle of Balls (球球大作戰)”, it took advantage of the game platform resources, such as product and online game implantation, offline tournament cooperation and other forms, to precisely target consumers.

“Uni Green Tea (統一綠茶)” continues to optimize product strength, and its marketing is focused on young consumer groups. With the implementation of the brand proposition of “Close to Nature (親近自然)”, it integrated platform with high consistence with the brand to conduct in-depth cooperation, and introduced the consumer activity of “Plant Trees with QR Code (碼上來種樹)”. With integration of young attributes, including green public welfare, celebrity advocates and fans support, it fully stimulated the positive energy of the fan economy. By donating to plant Haloxylon ammodendron trees in Alashan of China, it created entertaining public welfare activities for the public to participate.

“Classmate Xiaoming (小茗同學)”, with “Seriously Funny (認真搞笑)” as the brand core, strengthened the national appeal for “Cold Tea (冷泡茶)” in 2017, and carried out deep binding with Tencent QQ family for whole-platform cooperation to jointly create funny content and in-depth interaction with consumers. In 2017, through sponsoring public benefit football activities, continuous campus promotion, and carnival game interaction, deep communication has been established with core consumers, thus making the products real small partners of students. The activity at the same time won the gold award of Great Wall Award-Innovative Marketing in 2017.

In 2017, the new brand, “Taimoxing (泰魔性)”, with the differentiated Thai style lemon tea flavor, provided consumers with an alternative choice. Its promotion was focused on the annual theme of “Irresistibly magic flavor, too good to stop it (太太太魔性, 吸吸吸不停)”, and Internet icons have been invited for word-of-mouth advertising. With unique positioning and magic packaging, the brand gained widespread publicity.

In 2018, through the optimization of process technology, “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)” will improve the taste of products and enhance popularity through new packaging. “Classmate Xiaoming (小茗同學)” will strengthen the “cold brewing process (冷泡工藝)” technology to ensure the stability of product flavor; In terms of product marketing, it will continue to promote in campus, and strengthen brand equity in a humorous way, to attract new customer groups. “Taimoxing (泰魔性)” will introduce the Thai-style lemon juice and tea processing technology, for the continuous improvement of product strength. “Magic (魔性)” tone of communication will be used in marketing to differentiate “Thai-style Magic (泰式魔性)”. By conforming to the trend of consumer upgrading, in 2018, the tea and beverages business will make the layout for the new category of chilled tea, to lock the freshness by freezing and launch the products on the markets of key cities in eastern China.

Juice Drinks

In 2017, the Group’s fruit juice business recorded a total revenue of RMB2,038.9 million. Focusing on key brands and key markets, “More Juice Series (統一多果汁)” focuses on “Uni More Orange Juice (統一鮮橙多)” with “Haizhiyan (海之言)” concentrates on lemon flavour to create better profitability.

In 2017, “More Juice Series (統一多果汁)” continued to focus on the operation of orange-flavor of “Uni More Orange Juice (統一鮮橙多)”, and used different ways to interpret the meaning of “Beauty (漂亮)” and adhered to taking “More Vitamin C, More Beauty (多C多漂亮)” as the brand principal axis. Through the trend of poetry and culture, it created beautiful poetry bottles to attract consumers’ attention and stimulate their desire to share. Through the crossover with mobile phone brand Vivo, it made a strong launch of “Bubble Run (趣炫泡泡跑)”, a large-scale promotional activity to interact with customers and deepen their brand impression.

In 2017, the brand strategy of “Haizhiyan (海之言)” focused on the lemon flavor, integrated marketing successfully connected artist resources, Youku (優酷) platform, sports application software resources and sports event resources, etc., so as to promote “Take a Refreshing Walk to the Sea (清爽走去大海)”, and form a “Deambulation (輕運動)” ecological system with “refreshing (清爽)” as the core. A large-scale sport walking city competition “Take a Refreshing Walk to the Sea (清爽走去大海)” that offered active experience was organised by the Group, so as to promote the brand appeal of “Instant Refreshing (瞬間清爽)”. In 2018, Haizhiyan will continue to sharpen the brand image by centering on “Sports + Tourism (體育+旅遊)”, and extend the competition of “Take a Refreshing Walk to the Sea (清爽走去大海)” to more cities, and at the same time, cultivate community strength with the “Starfish Plan (海星計劃)”, and seek innovation marketing by collaborating with more brands, so as to implant the attitude and culture of “refreshing (清爽)” into the hearts of more consumers, and constantly accumulate brand assets.

In 2017, “Seasonal Drinks (飲養四季)” emphasized on brand youth and improving brand preference. The new packaging injected youthful vigor into the brand. And the Snow Pear Cartoon Expression Package Design Contest which interacted with the young group has been favored by a wide range of young consumers. The public welfare activity “Love Calculus (愛的微積分)” has been held for three years to promote and deepen the warmth and caring value of the brand.

Combined with popular international fruit juice trends, “Fighting (打氣)” bubble juice drink was launched in the market in June 2017, featuring lemon mint taste. The taste is based on world classic non-alcoholic cocktail Mojito (MOJITO), with the positive energy brand name of “Fighting (打氣)”, and the smooth refreshing taste of lemon, mint and bubble, the product has been popular among consumers once launched. In addition to the package of polyethylene terephthalate (PET) plastic bottles, canned products had been introduced for the access of catering layout in October 2017. It worked successively with the “Chongqing Hotpot Festival (重慶市火鍋節)”, and branded hot pot restaurants recommended by “A Bite of China (舌尖上的中國)”, to associate products and catering scenes, and gradually creating a new brand image of a food partner in the hearts of consumers, thus leading the new fashion of juice bubble drinks.

Looking ahead into 2018, the Group will further improve the strategic distribution of fruit juice, focus on resources, continue with brand promotion, seek improvement through innovation in product strength, and to introduce fruit juice products of different temperature and concentration, so as to meet the diverse needs of consumers, and move towards a healthy and high-quality path with a richer combination of fruit juice products.

General Beverages Business

Milk Tea

Sales of milk tea products rebounded in 2017 and returned to positive growth. The competition pattern of milk tea is getting stable. The Group adjusted sales rhythm of the milk tea business by changing the management of freshness, to provide customers with more fresh products, so as to improve consumer satisfaction. In 2017, the Group's milk tea business income achieved a growth of 19.3%, with a market share of 71.8%, maintaining the leading position in consecutive years.

“Uni Assam Milk Tea (統一阿薩姆)” is promoted by centering on “Good Mood (好心情)”, to explore the youth market. The brand proposition of “Smooth and Good Mood (順滑好心情)” has been changed into a good mood that you can experience at any time, and the annual activity of “Good Mood Everywhere (大好心情, 說來就來)” has been organized. The “Dialect bottle (方言瓶)” interacts with the customers through “Fly with Dialects and Travel with Good Mood (讓方言帶你飛, 讓心情去旅行)”. Network popular languages in dialects are shown on bottles through the technology of augmented reality to let consumers spread their own good mood. The advertisement with the joint performance of Ms. Guo Caijie (郭采潔), the spokesperson of the brand, and “Good Mood Factors (好心情因數)” were added with good mood element in dialects. With brisk and catchy melody, the advertisement was targeted to broadcast on the TV shows and websites that are popular among youngsters. With the in-depth cooperation with Bilibili, songs of cover version were collected online. Quadratic-element milk tea stores were built offline. The display of youth image and funny interaction are favored by consumers. In February 2017, “Assam Rock Salt Cheese (阿薩姆岩鹽芝士)” milk tea was launched in key markets, and with the live product launch conference of “With nice looking and cheese together, Good Mood comes along (有顏有芝士, 就有好心情)”, by taking advantage of fan economy, the new product was displayed in an all-rounded way, giving young consumers a distinctive experience.

In 2017, “Assam Small Milk Tea (阿薩姆小奶茶)” continued to focus on the operation during hot drinks season, and introduced for the first time, i.sharing, from Taiwan, as the theme to achieve cross-strait cooperation. Sharing Popo that is favored by the Taiwanese had a warm-hearted cooperation with “Assam Small Milk Tea (阿薩姆小奶茶)” and joined hands with a popular New York suitcase brand, designed by the international renowned designer Daniel Wong, to promote the brand image in a more fashionable, modern and innovative way, creating a distinguishing marketing model.

In 2018, the Group's milk tea business will continue to be committed to the upgrading of product strength and marketing. The image of “Good Mood Factors (好心情因素)” that is favored by consumers will be utilised in the packaging and communication, to strengthen the brand image of “Good Mood (好心情)” of “Uni Assam Milk Tea (統一阿薩姆)”.

Aqua More

To cater the needs of target consumers, “Aqua More (水趣多)” combined its interesting packaging with the fresh taste of lactobacillus. In 2017, it focused on its core brand proposition – “Interest Your Boringness (趣你的乏味)”, created a brand image of “No Boring but Interesting (不乏味, 有趣)” in the minds of consumers, making it a pleasure to drink water. The focused operation in Chengdu in 2017 has made initial success. In 2018, it plans to cooperate with the well-known brand Tuzki for joint promotion, going through “Interesting (有趣)” to the end and bringing forth the brand new interesting experience to the customers.

Others

Coffee

In 2017, the revenue of the coffee business of the Group grew by 12.1% compared with the same period of last year, mainly due to the increase in revenue generated by “A-Ha Iced Coffee (雅哈冰咖啡)”. “A-Ha (雅哈)” Coffee harmonized the main vision of its product packaging in 2017, with “Iced Coffee (冰咖啡)” and “Italian (意式)” Series in brighter main colors, exhibiting young and stylish brand image. With the brand proposition of “Enjoy the good taste and chat happily (對味喝, 愉快聊)”, combining with a high-quality social platform integrating target customers, “Chat Therapist (大咖洽聊師)”, “Meet Coffee and Chat Happily (邂逅愛聊咖)” and other marketing events have been launched for an in-depth interpretation of brand proposition, enhancement of the relationship between “A-Ha (雅哈)” and “Chat Coffee (聊天咖啡)” and continuous accumulation of brand equity. In 2018, the Group will focus on promoting “A-Ha Iced Coffee (雅哈冰咖啡)”, centering on operating key markets, while continuing the marketing principal axis of “Chat Coffee (聊天咖啡)”, promoting coffee culture, and expanding the market size of its instant coffee products.

Bottled Water

The Group focuses on the management of two brands of natural mineral water – “ALKAQUA (愛誇)” and “Bama Quan (巴馬泉)” to provide consumers with high-quality natural mineral drinking water. In 2017, the revenue of bottled water business grew by 18.4% compared with the same period of last year.

In March 2017, “ALKAQUA (愛誇)” launched 6-bottle sharing package, promoting the drinking scenes during travel, partying and other occasions. The Group constantly increases the product exposure through the influence of the popular actor Mr. Wang Kai (王凱), inputs more resources into his film and television works, and holds “Spokesperson Meeting (代言人見面會)” events, engaging customers to a large extent by innovative reading sessions. Through multi-angle and multi-media means, the Group conveys to consumers the brand concept “Appearance accounting for 30% and inner beauty accounting for 70% (30%靠顏值, 70%是內在)” of “ALKAQUA (愛誇)”, enhancing the brand association of “Simple and Stylish (簡約時尚)”.

In 2018, the brand “ALKAQUA (愛誇)” is expected to introduce a new 1.5 litres family size package, which will benefit family consumers in a more cost-effective way. With regard to publicity, a new commercial advertisement by Mr. Wang Kai (王凱) will be shot to disseminate the geographic appeal of water sources, increase the inputs in key cities, explore thoroughly the first-tier cities market, and strive to become the fashionable natural mineral water brand favored by young consumers.

Research and Development

The Group's Research and Development ("R&D") Centre strives to maintain its advantages of innovative technologies and develop high value-added products required by consumers. In order to protect core technologies and consolidate intellectual property rights, as of December 2017, the R&D Centre owned 39 granted patents and has applied for 54 patents, creating an advantageous barrier to protect its intellectual property.

"Taimoxing – Thai Lemon Tea (泰魔性泰式檸檬茶)" responds to the rapid growth of the lemon tea market, and the Group has targeted the development of distinctive Thai lemon tea through market study and field visits. Taking the Thai flavor as its main feature, the product combines the fresh and exciting tea flavor with lemon, uses simple and natural ingredients, and prefers highland black tea and lemon juice and other materials, exhibiting the characteristics of real tea and real lemon, with abundant product differentiation and memories.

Continuing the discovery of authentic taste, Teng Jiao Beef is a dish widely loved by Sichuan people, with the impressive perfect combination of the fresh flavor of Teng Jiao and the flavor of beef. The R&D team combines the taste of Teng Jiao flavoured beef with instant noodles to make the "Teng Jiao Beef Noodles (藤椒牛肉麵)", which contains the uniquely fragrant and richly pungent blue-green pepper, clear-flavored fresh black pepper, and the featured fragrance of the king of pepper oil – Teng Jiao oil, producing a bowl of spicy, refreshing, fragrant, and authentic home-style noodles that are unforgettable.

Among the various cuisines in Taiwan, beef noodles is a typical folk cuisine. The Imperial Banquet brand of the Group regards inheriting Chinese cuisine as its mission, absorbing the merits of many Taiwanese beef noodle shops. The "Imperial Banquet Taiwan Braised Beef and Beef Tendon Noodles (滿漢大餐台式半筋半肉牛肉麵)" are made by first stir-frying fresh ingredients, watercress and spices with butter, then adding beef bone soup, especially fresh vegetables, for stewing, with a view to present the authentic beef soup. Combining imported calf and beef tendon as ingredients, using freeze drying technology to perfectly preserve the taste and nutrition of Qingjiang vegetables, parsley and sweet peppers, making a bowl of "Imperial Banquet Taiwan Braised Beef and Beef Tendon Noodles (滿漢大餐台式半筋半肉牛肉麵)" delicious with abundant ingredients become the best choice of meal for consumers.

"Lazy Time – Chongqing old hot pot (煮時光—重慶老火鍋)", the self-heating small hot pot uses traditional Chongqing butter hot pot as prototype, adopting rapid cooling stripping technology to produce cube-shaped hot pot soup base, introducing a breakthrough to the existing hot pot soup base, while presenting rich fresh ingredients of traditional hot pot restaurants in wet vegetable package, and the hot pot necessities such as tripe, crispy intestine, vermicelli, bean curd and other hotpot dishes. The reasonable mix of meat and vegetable, mellow butter and spicy flavor aim to enable the consumers to enjoy the spicy, satisfying and authentic Chongqing old hot pot anytime anywhere.

Food Safety

The Group upholds the concept of “Three Good and One Reasonable: Good Quality, Good Credit, Good Service and Reasonable Price (三好一公道：品質好、信用好、服務好、價格公道)” to provide consumers with safe, healthy and delicious food. To enhance the level of food safety management system, the Group has set up a Food Safety Committee and a Food Safety Centre, which are committed to implementing food safety and security system, formulating food safety policy, deepening food safety risk assessment, warning and monitoring, so as to ensure food safety, undertake the Group’s quality assurance system management, formulate and implement the product quality policy.

The Group continues to improve the supervision mechanism for raw material supply chain, focuses on strengthening the supply chain source of food safety management and finished food safety monitoring. It has implemented supplier’s food safety qualification assessment and field assessment, established the raw material food safety project monitoring mechanism to ensure food quality and safety from the source of the supply chain, set up production plant qualification review and on-site evaluation mechanism, strictly monitored all food safety items in addition to the strict inspection of finished product of each batch after production according to the laws and regulations, so as to ensure the safety and delicacy of the Group’s products.

The Group is actively promoting the source management of suppliers. In addition to supplier training, it has introduced third-party professional agencies to evaluate suppliers, and help suppliers to establish their own scientific and effective food safety and quality management system. The Group has fully introduced the Food Safety Protection Program, which covers the production process starting from the product design, including access to sales, to ensure that consumers are rest assured.

The Group pays close attention to various food safety incidents of other food manufacturers, timely carries out risk assessment, checks raw materials and finished products similar to those used in such incidents, improves food safety management system, actively participates in the formulation and revision of relevant national standards, collects and releases food regulations and national and foreign food safety information, so as to enhance the Group’s awareness of food safety, and promote the full implementation of food regulations and safety standards to safeguard consumer rights and interests.

The Group’s Food Safety Centre has passed the assessment conducted by experts of China National Accreditation Service for Conformity Assessment (CNAS accreditation) since 2005 and 167 projects of the Group had been approved thus far. Meanwhile, with the co-operation of each of the laboratories of the Group’s subsidiaries and external testing institutions, the demand for key food safety items testing was met. Such co-operation also provides the Group with professional and authoritative testing services and support in enhancing food safety. Further, three technical achievements of the Group’s innovative laboratory testing system have received national patent licensing.

As of 2017, the Group has 31 subsidiaries that have passed the ISO9001 International Standard Quality Management System Certification, and 29 subsidiaries that have gained the ISO22000 International standard Food Safety Management system certification. These certifications and awards recognised the Group's improvement on food safety and quality assurance, its capability to guard food safety, as well as the Group's dedication to provide consumers with delicious, healthy and safe food.

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 solely rely on its own production resources. It also outsources its production to other professional beverages manufacturers (including external independent third parties and related parties companies). A strategic alliance is formed under such long-term co-operation with the external manufacturers, providing the Group with production flexibility. Thus, the Group is able to fully utilise its resources on core operation and optimise its efficiency.

FINANCIAL RESULTS

For the year ended 31 December 2017 (the "Year"), the Group recorded a revenue of RMB21,296.5 million, representing an increase of 1.5% from RMB20,985.5 million of 2016. Revenue from the instant noodles business decreased by 0.7%, and revenue from the beverages products business increased by 2.3%, standing at RMB8,162.6 million and RMB12,465.5 million respectively, accounting for 38.3% and 58.5% respectively of the Group's total revenue. During the Year, gross profit of the Group decreased by 2.4% from RMB7,227.8 million of the corresponding period last year to RMB7,051.5 million while gross profit margin decreased by 1.3 percentage points from 34.4% for the corresponding period of last year to 33.1%, which were mainly due to a growth in the cost of bulk raw materials.

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 11.9% to RMB5,153.8 million (2016: RMB5,849.9 million). During the Year, administrative expenses amounted to RMB987.7 million (2016: RMB999.0 million), representing a decrease of 1.1% 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.

Operating profit was RMB1,186.6 million for the Year, increasing by 23.3% from the operating profit of RMB962.5 million for 2016. During the Year, share of profits of investments accounted for using the equity method decreased 69.4% to RMB28.5 million (2016: RMB93.1 million), which was attributable to the disposal of the entire equity interest in Jinmailang Beverage Corporate Limited by the Group in the last year. During the Year, profit attributable to equity holders of the Company was RMB878.2 million, representing an increase of 44.6% as compared with RMB607.3 million of the corresponding period last year, which were mainly attributable to a growth in revenue from the beverages business. Earnings per share during the Year were RMB20.33 cents (2016: RMB14.06 cents).

FINANCIAL ANALYSIS

Cash and Borrowings

As at 31 December 2017, the Group had cash and bank balances of RMB2,782.7 million (31 December 2016: RMB2,463.2 million), among which 99.3% were denominated in Renminbi and 0.5% were denominated in United States dollars. The Group mainly financed its operation and capital expenditure with internally generated cash flow. As at 31 December 2017, the Group's total financial liabilities decreased by 48.7% to RMB1,334.8 million (31 December 2016: RMB2,600.2 million), and 37.5% of such financial liabilities were repayable over one year. 99.0% of the Group's total financial liabilities were denominated in Renminbi. As at 31 December 2017, all of the Group's financial liabilities bore floating interest rates, save for the RMB500 million notes due 2019, which was at fixed interest rate of 3.9% per annum. As at 31 December 2017, the Group did not have any secured bank borrowings (31 December 2016: Nil).

Financing

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total borrowings	1,334,768	2,600,169
Less: cash and bank balances	(2,782,731)	(2,463,201)
Net debt/(cash)	(1,447,963)	136,968
Total equity	12,815,477	12,040,111
Total capital	<u>11,367,514</u>	<u>12,177,079</u>
Gearing ratio (Note)	<u>(12.74%)</u>	<u>1.12%</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 2017, the Group recorded a year-on-year net increase in cash and cash equivalents of RMB286.3 million, comprising net cash inflow from operating activities of RMB2,452.8 million, net cash outflow from investing activities of RMB782.2 million, and net cash outflow from financing activities of RMB1,384.3 million. The Group's capital expenditure for the year is RMB750.8 million (31 December 2016: RMB1,126 million), which was mainly resulted from product procurement, investments in acquiring new equipment, upgrading and 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 and e-commerce merchants) with credit terms normally ranging from 60 to 90 days. During the Year, as the number of the Group's credit sales clients increased, net trade receivables increased by RMB20.1 million to RMB563.0 million (31 December 2016: RMB542.9 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. Trade payables increased by RMB257.8 million to RMB1,396.0 million (31 December 2016: RMB1,138.2 million), while the inventories decreased by RMB55.1 million from last year to RMB1,159.4 million (31 December 2016: RMB1,214.5 million). The following table sets out the major turnover days during the two years ended 31 December 2017.

	Year ended 31 December	
	2017	2016
Trade receivables turnover days	9	9
Inventories turnover days	30	34
Trade payables turnover days	<u>32</u>	<u>31</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 and internal control 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 centres for different accounting regions, processed accounting works in a centralised manner, and developed a group-level financial and taxation platform, 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 a majority of its revenue is 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 2017, the fair value of the Group's available-for-sale financial assets was RMB222.1 million (31 December 2016: RMB225.5 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. ("Haisheng Holdings") (listed securities) of approximately RMB10.4 million (31 December 2016: RMB13.9 million) and the fair value of the equity of Heilongjiang Wondersun Dairy Joint Stock Co., Ltd. "Wondersun" (non-listed securities) of approximately RMB211.7 million (31 December 2016: RMB211.6 million).

Haisheng Holdings is a company listed on the Stock Exchange (stock code: 359.HK) which is mainly engaged in manufacturing and processing of juice concentrate. In addition, Wondersun is a company limited by shares in the PRC, which is primarily engaged in manufacturing of milk powder and liquid milk products. The established Group invested in upstream raw material suppliers to enhance competitiveness in the overall beverages business. Currently, it has no further investment plans. The Group will persist to implement prudent investment strategies.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017.

CHARGES ON GROUP ASSETS

The Group did not have any charges on group assets as at 31 December 2017.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no 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.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2017, the total number of employees of the Group was 29,502. 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, 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, priorities are given to internal promotion over external recruitment while, performance evaluation and other measures are implemented to keep the current management personnel ambitious and strong. To achieve the Group's annual goals, the Group has set up performance bonuses and incentive schemes to commend and encourage employees at all levels 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. As part of the Group's remuneration policy, the Group has entered into employment contract with each of its employees, which covers wages, social security benefits, workplace safety and hygiene environment, trade secrets confidentiality obligations and termination conditions.

During the Year, total staff costs (including directors' remuneration) were RMB3,025.2 million (2016: RMB3,176.8 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 2017 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 RMB14.23 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, 7 June 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 29 May 2018.

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 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 Code Provision A.2.7 as it is not applicable.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company 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. Su Tsung-Ming, Mr. Chen Johnny and Mr. Chen Sun-Te will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Su Tsung-Ming, Mr. Chen Johnny and Mr. Chen Sun-Te being eligible, will offer himself for re-election. There is no service contract entered into between each of Mr. Su Tsung-Ming, Mr. Chen Johnny and Mr. Chen Sun-Te, 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (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, 18 May 2018, 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, 11 May 2018.

The register of members of the Company will be closed from Friday, 25 May 2018 to Tuesday, 29 May 2018 (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 Thursday, 24 May 2018.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 18 May 2018, the final dividend will be paid on or around Thursday, 7 June 2018.

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 2016 or 2017 but is derived from those financial statements. The 2017 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.

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 customers, suppliers, business partners, financial institutions and shareholders for their support, especially for all our colleagues' efforts and contributions in the past year.

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

27 March 2018

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