



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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

- Revenue reached RMB8,657 million, up by 9.8%
- Group gross margin of 33.7%, up by 4.2%
- EBITDA of RMB869 million, up by 66.6%
- Profit for the year of RMB424 million, up by 190%
- Profit attributable to equity holders of RMB424 million, up by 190%

CHAIRMAN'S STATEMENT

Dear Shareholders,

Uni-President Enterprise achieved solid development in the PRC in 2007 particularly in the areas such as operational performance, market position and capital structure. In order to facilitate further growth and development, Uni-President China Holdings Ltd. (“**Uni-President China**” and, together with its subsidiaries, the “**Group**”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) on 17 December 2007. The listing was well-received by investors, and through it we were able to further enhance the capital structure of the Group and at the same time enlarge our shareholder base. On behalf of the Board of Directors of Uni-President China, I am pleased to report the Group’s 2007 audited financial statements and future development plans.

Organizational Restructuring – Strengthening Marketing Efforts

In order to better align our products with customers’ preferences, we have been implementing an intensive organizational restructuring program since 2007. We have segmented our original eight markets in the PRC into smaller business units based on the province or other geographic administrative region in which we operate. Our distribution system, which was comprised of the instant noodle and the beverage business groups, has been further divided into five product segments, namely the instant noodle segment, and four beverage segments focusing on tea, juice, mixed drinks and water, respectively. We believe the new system will help us to further develop the PRC market, construct effective sales platforms and enhance our service capability. At the same time, we have also implemented a segmental P&L system, with the aim of enhancing operational capability of the respective product segments. In 2007, Uni-President China continued to achieve significant revenue and profit growth even while undergoing such fundamental organizational restructuring. Furthermore, as the scale of our operations continued to grow, our profitability also greatly improved. This demonstrates the effectiveness of our strategies to implement the restructuring program, to strengthen product specialization, and to enhance production

capability. Looking forward to 2008, we will continue to implement our restructuring program with a focus on improving our logistics network, further differentiating the roles of product marketing and logistics. We have also appointed the general managers of the administrative offices in each of our eight original markets to oversee and manage back-office support for the business units within their geographical region. Under this framework, we now have new distribution, production and administrative systems in place; and we believe that these three professional management systems will enable the Group to further refine its organizational structure and enhance its competitiveness.

Operational Improvement – Sustaining Growth

Despite the surge in raw material prices in the past year, the Group was able to offset the negative impact of rising production costs by continuing to improve organizational efficiency, adjusting product mix, improving margin levels, minimizing expenses and increasing economies of scale. The Group's overall gross margin improved with gross margins for the instant noodles and beverage segments reaching 22.9% and 38.2%, respectively (2006: 21.4% and 32.7%, respectively).

In 2007, revenue of Uni-President China reached RMB8,656.8 million, representing an increase of 9.8% over that of 2006. Revenue from instant noodles and beverages rose 10.6% and 9.4%, respectively compared with 2006, reaching RMB2,445.5 million and 6,143.0 million, respectively. As to other segments, revenue reached RMB68.3 million, representing an increase of 23.7% over 2006. Profit for the year totaled RMB424.0 million in 2007, representing an increase of 190% when compared to 2006. Most of this profit was contributed by our beverages segment. We believe the effects of our organizational restructuring will gradually be realized from 2008, accelerating our business expansion in the market.

Consolidating and Strengthening Market Position

In 2007, prices of key raw materials of instant noodles, namely palm oil and flour, continued to increase. In order to counter this, we have upgraded our products, adjusted our product mix and pricing to preserve and further increase gross margins.

We believe Uni-President instant noodles has strengthened its claim to being the premium instant noodle brand in the PRC by becoming the only officially designated instant noodles sponsor for the 2008 Beijing Olympics. In addition, the Group sponsors "Project Hope" for the campaign "A Bowl of Noodles Today, a Gold Medal Tomorrow" (今天一碗麵，明天一面金), under which the Group donates one cent to "Project Hope" for every pack of instant noodles sold. A total of RMB13 million has been donated to improve the sports facilities of "Project Hope" primary schools in remote areas. Through interactive communications with customers via "Project Hope" photo exhibitions and Olympics roadshow campaigns in major cities, and visits to a large number of "Project Hope" primary schools in ten provinces across the nation to donate sports equipment and arranging sports days, we believe both the brand name of Uni-President Instant Noodles and the ideal of sportsmanship of the Beijing Olympics have been deeply imprinted in the minds of the Chinese people. In conjunction with the Beijing Olympics, we introduced our "Olympics Noodles" (冠軍榜), a beef noodle product made with our unique ground beef sauce and hand-made noodles. Through our "Olympic Noodles", we aim to provide higher quality products to consumers and to celebrate the 2008 Beijing Olympics bringing a better tomorrow for the country.

In 2007, we focused heavily on brand management of our tea products with the aim of enhancing product value. We increased our exposure in nation-wide media and on local TV channels. Furthermore, we continued to effectively interact with our target customers through integrated marketing campaigns. According to AC Nielsen, sales of Uni-President tea products accounted for 30.3% of the entire market, ranking second in the sector. In the green tea segment, our market share has reached 22.8%. By implementing marketing strategies according to plan, we believe our market share of juice products will increase in 2008.

In 2007, Uni-President China refined the “More” brand of orange juice drink (鮮橙多) and its packaging. Together with a series of new advertising campaign, the new brand image aims to provide consumers with a totally new impression and experience. As the price of orange juice concentrates has generally been increasing, we will continue to refine our product mix and further expand our distribution channels. According to AC Nielsen, sales of Uni-President juice products accounted for 20.6% of the entire juice drink market, ranking second in PRC.

Looking ahead in 2008, we will build on our foundation to further expand the brand asset of our “More” brand of orange juice drink through its association with “beauty”. We will also collaborate with China Southern Airlines to hold its up-coming air stewardess recruitment fair in 2008. We believe taking advantage of such events to launch marketing campaigns and enhance brand impact will help us further increase the market share of our juice products in 2008.

Revenue and profit levels of Uni-President mineral water, milk tea and coffee products continued to improve in the past year. We expect that these products will continue to grow steadily and healthily in the coming year.

Strong Capital Structure

Uni-President China was listed on the Main Board of the Hong Kong Stock Exchange in 2007 and its public offering received an oversubscription of 4.56 times. Through the initial public offering, including the exercise of an over-allotment option, the Group raised a total of HK\$2,405 million, net of issue expenses. We believe the success of our initial public offering demonstrates that investors are fully confident in Uni-President China’s future growth, and we are extremely encouraged. I hereby thank all of our shareholders again for your support and trust. The offering and listing have provided us with sufficient capital for future development, enabled us to access the international capital markets and enhanced our corporate governance structure and improved transparency, which will prepare us to meet the challenges ahead.

Goals & Strategies

The business goal of Uni-President China is to maximize shareholders’ value and to introduce more healthy and enjoyable products for consumers. The following key principles will serve as the foundation for our long term growth strategy:

1. To become a global model enterprise through love and care:

To become a localized enterprise operating in harmony with the society and environment. To promote prosperity and development of the local economy through love and care.

2. *Create competitive advantages using our existing network:*

Our portfolio of products targets specific markets and our various distribution channels have come together to form unique networks complementing our operations. With such synergy, the Group should be able to create competitive strengths.

3. *Customer satisfaction comes first:*

We will continue to be responsive to changes in market conditions. We have established an effective customer feedback channel for gathering first hand customer information to implement our 'customer-oriented' marketing vision.

4. *Propagation and maintenance of core corporate values:*

We observe the values of being honest, diligent, innovative, proactive and healthy; these have become the benchmarks for our behaviour and conduct. We should be strong, upright, cheerful, humble, selfless, sincere and morally-committed, show respect to our profession, have team spirit and always express our gratitude to society.

5. *Optimal mix of local talent and international management:*

We select and cultivate local talent in order to maximize and make use of its ability, whilst internationalizing our operations team, which must be competent in international management.

6. *A strategy-and-quality-focused operational management system:*

We will adhere to the vision of setting a leading strategy and placing utmost importance on product quality.

Acknowledgement

Thanks to the support and efforts from our stakeholders, Uni-President China has been able to attain sustainable growth over the years. On behalf of the Board of Directors, I would like to express our sincere thanks for the generous support from our customers, suppliers, business partners and shareholders, and in particular, I would like to express our gratitude to our staff for their efforts and contributions over the past year.

Lo Chih-Hsien

Chairman

Tainan, Taiwan

15 April 2008

GROUP RESULTS

Uni-President China Holdings Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

		2007	2006
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	8,656,777	7,883,692
Cost of sales	4	<u>(5,742,097)</u>	<u>(5,555,752)</u>
Gross profit		2,914,680	2,327,940
Other losses-net		(1,062)	(1,104)
Other income		40,365	68,791
Selling and marketing expenses	4	(2,147,668)	(1,849,036)
Administrative expenses	4	<u>(263,366)</u>	<u>(280,780)</u>
Operating profit		542,949	265,811
Finance income		22,676	13,708
Finance costs		<u>(40,359)</u>	<u>(33,064)</u>
Finance costs-net	5	(17,683)	(19,356)
Share of losses of jointly controlled entities		<u>(40,800)</u>	<u>(70,909)</u>
Profit before income tax		484,466	175,546
Income tax expense	6	<u>(60,461)</u>	<u>(29,476)</u>
Profit for the year		<u>424,005</u>	<u>146,070</u>
Profit attributable to equity holders of the Company		<u>424,005</u>	<u>146,070</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic	7	<u>14.04 cents</u>	<u>4.87 cents</u>
– Diluted		<u>14.04 cents</u>	<u>4.87 cents</u>
Dividends	8	<u>–</u>	<u>–</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2007 RMB'000	2006 <i>RMB'000</i>
ASSETS			
Non-current assets			
Leasehold land		158,438	122,312
Property, plant and equipment		1,889,691	2,059,412
Intangible assets		56,258	111,181
Interests in jointly controlled entities		235,382	276,182
Available-for-sale financial assets		231,164	183,696
Deferred income tax assets		43,895	13,398
		<hr/>	<hr/>
		2,614,828	2,766,181
Current assets			
Inventories		567,087	502,716
Trade and bills receivables	9	239,536	268,066
Prepayments, deposits and other receivables		121,760	152,168
Loans due from related parties		–	55,000
Pledged bank deposits		–	21,316
Cash and cash equivalents		3,411,868	841,123
		<hr/>	<hr/>
		4,340,251	1,840,389
		<hr/>	<hr/>
Total assets		<u>6,955,079</u>	<u>4,606,570</u>

	<i>Note</i>	2007 RMB'000	2006 RMB'000
EQUITY			
Share capital		33,370	28,385
Share premium		1,960,248	(28,385)
Other reserves		2,091,829	1,769,487
Retained earnings		1,099,380	762,743
		<hr/>	<hr/>
Total Equity		5,184,827	2,532,230
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Deferred government grants		8,673	10,041
Other long-term liability		–	45,644
Deferred income tax liabilities		6,813	575
		<hr/>	<hr/>
		15,486	56,260
		<hr/>	<hr/>
Current liabilities			
Trade and bills payables	10	471,218	467,846
Other payables and accruals		916,660	734,183
Borrowings		296,175	714,511
Dividends payable		–	39,709
Other long-term liability – current portion		46,192	54,988
Current income tax liabilities		24,521	6,843
		<hr/>	<hr/>
		1,754,766	2,018,080
		<hr/>	<hr/>
Total liabilities		1,770,252	2,074,340
		<hr/>	<hr/>
Total equity and liabilities		6,955,079	4,606,570
		<hr/> <hr/>	<hr/> <hr/>
Net current assets/(liabilities)		2,585,485	(177,691)
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Total assets less current liabilities		5,200,313	2,588,490
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Notes:

1 Group reorganisation and application of merger accounting

The ultimate holding company of the Group is 统一企业股份有限公司 (Uni-President Enterprises Corporation), a company whose shares are listed on the Taiwan Stock Exchange Corporation. Prior to the establishment of the Company, Uni-President Enterprises Corporation operated the PRC Beverages and Instant Noodles Businesses and other businesses, including the production of flour, edible oils, animals feeds, aquatic and livestock products, trading and retailing of food and carbonated beverages (collectively “Other Businesses”) in the PRC through various subsidiaries. The Other Businesses have been managed separately from the PRC Beverages and Instant Noodles Businesses.

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

The Reorganisation involved companies under common control. Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and presented the results of the Group as if the structure of the Group resulting from the Reorganization had been in existence throughout the year. Comparative figures for the year ended 31 December 2006 have been prepared on the same basis.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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.

3 Revenue and segment information

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

In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format, as over 90% of the Groups sales and business activities are conducted in the PRC. Its operations are mainly organized under two principal business segments in the year ended 31 December 2007: manufacturing and sale of beverages and instant noodles.

An analysis by business segments is as follows:

	2007				Group RMB'000
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	
Segment results					
Revenue	<u>6,143,016</u>	<u>2,445,484</u>	<u>68,277</u>	<u>–</u>	<u>8,656,777</u>
Segment profit/(loss)	655,404	1,230	(23,462)	(90,223)	542,949
Finance costs-net					(17,683)
Share of losses from jointly controlled entities	(40,800)	–	–	–	<u>(40,800)</u>
Profit before income tax					484,466
Income tax expense					<u>(60,461)</u>
Profit for the year					<u>424,005</u>
	2006				Group RMB'000
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	
Segment results					
Revenue	<u>5,617,016</u>	<u>2,211,472</u>	<u>55,204</u>	<u>–</u>	<u>7,883,692</u>
Segment profit/(loss)	380,176	(52,386)	(8,056)	(53,923)	265,811
Finance costs-net					(19,356)
Share of losses from jointly controlled entities	(32,678)	(38,231)	–	–	<u>(70,909)</u>
Profit before income tax					175,546
Income tax expense					<u>(29,476)</u>
Profit for the year					<u>146,070</u>

4 Expenses by nature

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

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Raw materials, packaging materials and consumables used	4,702,274	4,509,139
Purchased commodity used	299,632	370,038
Changes in inventories of finished goods	(12,333)	(57,394)
Promotion and advertising expenses	1,030,888	891,146
Employee benefit expenses	764,472	626,380
Transportation expense	427,273	433,705
Amortisation of leasehold land	3,960	3,153
Depreciation of property, plant and equipment	307,071	304,772
Amortisation of intangible assets	55,749	18,646
Technical know-how and management fees	–	34,437
Travelling expenses	60,030	57,598
Operating lease in respect of land and buildings	48,750	44,395
Impairment provision for goodwill arising from business combinations	–	11,941
Property tax and other taxes	19,960	10,398
(Reversal of provision)/provision for impairment of property, plant and equipment	(100)	1,155
Write-down of inventories to net realisable value	4,521	1,205
(Reversal of provision)/provision for impairment of trade receivables	(5,268)	4,196
Auditors' remunerations for the year	3,687	339
Machinery maintenance expenses	93,317	97,742
Water and electricity expenses	91,825	89,958
Manufacture outsourcing expenses	116,240	90,167
Others	141,183	142,452
Total	<u><u>8,153,131</u></u>	<u><u>7,685,568</u></u>

5 Finance costs – net

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Interest expenses on short term borrowings		
– Bank borrowings	28,990	41,750
– Borrowings from related parties	–	163
	<u>28,990</u>	<u>41,913</u>
Net foreign exchange losses/(gains) on financing activities	<u>11,369</u>	<u>(8,849)</u>
Finance costs	40,359	33,064
Finance income – interest income on cash and cash equivalent	(22,676)	(13,708)
Net finance costs	<u><u>17,683</u></u>	<u><u>19,356</u></u>

6 Income tax expense

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax (“EIT”)	90,944	29,766
Deferred income tax	<u>(30,483)</u>	<u>(290)</u>
	<u>60,461</u>	<u>29,476</u>

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

Enterprises incorporated in the PRC are normally subject to EIT at rate of 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax. Certain subsidiaries of the Group enjoy the preferential EIT rates lower than 33% as approved by the relevant tax authorities or operated in designated area with preferential EIT policies in the PRC. Besides, certain subsidiaries, being incorporated as foreign investment enterprises in the PRC, have obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC.

On 16 March 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), with effective date from 1 January 2008 onwards. According to the new CIT Law, the EIT for both domestic and foreign investment enterprises should be unified at 25% effective from 1 January 2008. In December 2007, the State Council announced detailed grandfathering provision, pursuant to which there will be a transition period for enterprises that are currently enjoying qualified preferential tax treatments granted by relevant tax authorities. Enterprises qualified in the grandfathering provision can continue to enjoy the lower EIT rate and gradually transfer to the new EIT rate within five years after the effective date of the new CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term can continue to enjoy such treatment until the fixed term expires. For enterprises that have not yet benefited from such preferential policies due to their accumulated loss positions, the preferential policies shall be deemed to commence from the 2008 tax year to kick-start the grandfathering period.

7 Earnings per share

Basic

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

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit attributable to equity holders of the Company	424,005	146,070
Weighted average number of ordinary shares in issue (thousands)	3,020,206	3,000,000
Basic earnings per share (RMB per share)	<u>14.04 cents</u>	<u>4.87 cents</u>

In determining the number of shares in issue, a total of 3,000,000,000 shares issued at the incorporation of Uni-President China and pursuant to the Capitalisation Issue incurred in December 2007 are deemed to have been issued since 1 January 2006.

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

8 Dividends

The directors do not recommend a final dividend in respect of the year ended 31 December 2007.

9 Trade and bills receivables

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade receivables from independent third parties	250,822	278,956
Less: provision for impairment	(13,573)	(21,879)
Trade receivables from independent third parties, net	<u>237,249</u>	<u>257,077</u>
Trade receivables from related parties, net	1,837	4,352
Bills receivable from independent third parties	450	6,637
Trade and bills receivables, net	<u>239,536</u>	<u>268,066</u>

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

	2007 RMB'000	2006 <i>RMB'000</i>
Trade receivables, gross		
– 0-90 days	213,210	222,271
– 91-180 days	27,565	44,341
– 181-365 days	9,518	7,925
– Over 1 year	2,366	8,771
	<u>252,659</u>	<u>283,308</u>

10 Trade and bills payables

	2007 RMB'000	2006 <i>RMB'000</i>
Trade payables		
– to independent third parties	437,347	443,278
– to related parties	31,316	17,368
	<u>468,663</u>	<u>460,646</u>
Bills payable		
– to independent third parties	2,555	7,200
	<u>471,218</u>	<u>467,846</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:

	2007 RMB'000	2006 <i>RMB'000</i>
Trade payables		
– 0 to 180 days	460,600	451,643
– 181 to 365 days	5,394	3,070
– Over 1 year	2,669	5,933
	<u>468,663</u>	<u>460,646</u>

MANAGEMENT DISCUSSION & ANALYSIS

2007 was an important year in the history of Uni-President China. The listing of the Group on the Main Board of the Hong Kong Stock Exchange not only gave it a solid foundation for future development, but also increased the awareness of the Group's products, allowing the Group to speed up expansion in the China market. Building on its enhanced stature following the listing of Uni-President China, the Group will increase its efforts to explore other opportunities for growth and to deliver good results.

Market Review

The Chinese economy continued to grow rapidly last year, reporting an 11.4% growth in GDP and a 4.8% rise in the consumer price index against the previous year. This strong growth created favourable conditions for the Group's business development.

As living standards in China continue to improve, Chinese consumers have become more demanding of the quality of consumer goods, including beverages and snacks. This phenomenon has presented abundant business opportunities for large food manufacturers and suppliers like the Group. However, at the same time, competition in the food market has become increasingly intense. Instead of traditional competition, which is mainly price-based, players have begun to compete on all aspects of their products, including product quality, which has presented challenges for the industry.

Financial Results

For the year ended 31 December 2007 ("**the year under review**"), the Group recorded revenue of RMB8,656.8 million, representing growth of 9.8% from RMB7,884.0 million the previous year. Revenue from our instant noodles and beverages products amounted to RMB2,445.5 million and RMB6,143.0 million, respectively, increasing by 10.6% and 9.4% as compared to the previous year and accounting for 28.2% and 71.0%, respectively, of the Group's total revenue. During the year under review, gross profit increased by 25.2% to RMB2,914.7 million and gross profit margin rose to 33.7% from 29.5% the previous year. Gross profit for the year grew faster than revenue, which reflects the success of the Group's strategy in focusing on the development of the beverages business, which generally supports higher margins and the successful implementation of effective cost control measures.

Profit attributable to equity holders amounted to RMB424.0 million, an increase of 190% from RMB146.1 million the previous year. During the year under review, earnings per share were RMB14.04 cents (2006: RMB4.87 cents). The strong performance was mainly attributable to the growth in revenue driven by new products and new marketing campaigns.

As revenue increased, total operating expenses and overall staff costs of the Group also increased. The Group actively expanded its customer base in the past few years, thereby increasing selling and marketing expenses to RMB2,147.7 million for the year under review (2006:RMB1,849.0 million). This trend was partially offset by a 6.2% decrease in administrative expenses to RMB263.4 million (2006: RMB280.8 million). As the Group launched certain new projects during the year, the depreciation and amortization expenses that were included in cost of sales, selling and marketing expenses and administrative expenses rose by 12.3% to RMB366.8 million (2006: RMB326.6 million). As the Group held sufficient funds during the year, financing costs were reduced to RMB17.7 million (2006: RMB19.4 million).

Business Review

Juice Drinks

For the year ended 31 December 2007, the revenue from juice drinks amounted to RMB2,588.2 million (2006: RMB2,600.4 million), accounting for 29.9% of the Group's total revenue.

During the year, the Group improved the quality and packaging of juice drinks to enhance the brand's competitiveness. With regard to product promotion, the Group launched a new advertising campaign to promote the new image of Uni-President China's juice drinks, as a result of which, these products reported outstanding sales.

In response to the rising price of orange juice concentrates, the Group introduced other flavours in the 450ml product series during the year. These included the Uni-President "More" brand of peach juice drink. Benefitting from the "China Top Brand" acclaim earned by the Group, large packet juice products accelerated penetration of the rural market during the year under review.

Tea Drinks

Revenue from tea drinks reached RMB3,045.8 million, representing an increase of 20.1% from RMB2,535.2 million in the previous year, and accounting for 35.2% of the Group's total revenue. The growth in revenue was mainly attributable to the growing health consciousness amongst consumers, increased penetration of the Group's sales network and improved brand influence.

During the year under review, the Group continued to optimize brand management to enhance the value of its products. It also allocated more marketing resources to nationwide media and local TV stations and consolidated above and below the line brand marketing activities to enhance communication with target consumers. To broaden the variety of products, the Group pilot-launched the sugar-free organic flavour of our "Green Tea" (統一綠茶) in a number of cities. The Group believes the product has promising potential as consumers become increasingly health conscious.

Demand for drinks in the 150ml or above product series has been stimulated as the Chinese government has increased the number of statutory holidays and the trend of dining out has become more and more popular amongst consumers. To cater to this rising demand, the Group stepped up marketing efforts for large packet tea drinks in the second half of the year to encourage consumers to share the drinks with family and friends and saw excellent results.

Instant Noodles Business

The price of raw materials for instant noodles, including palm oil and flour, continued to rise in 2007, posing challenges to participants in the instant noodle industry. As a result of rising costs and price pressures, industry players have changed from primarily competing on price to competing on product value.

Instant noodle manufacturers have shifted to introducing high value added products, which led to the rise in the overall selling price of instant noodle products. The sales of packet noodles priced at around RMB1 dropped notably whereas the sales of those priced between RMB1 to 1.2 and between RMB1.5 to 1.8 increased substantially. Higher priced bowl noodles, which are convenient to prepare and consume, saw the fastest growth amongst all instant noodle product categories. The local manufacturers that compete with low selling prices were the hardest hit by rising costs, threatening their survival. Competition in the instant noodle market has primarily taken place between a few large players.

In terms of flavour preferences, beef flavour noodles generally remained the best selling flavour category, though braised beef and some specific beef flavour noodles made up a smaller portion of sales for the year under review, whereas many more pork and chicken flavour products were sold.

To cope with rising costs, the Group cut production of low gross profit margin products in the first quarter of the year under review. Subsequently, it implemented a series of product upgrading initiatives, including improving the texture of the noodles in order to improve noodle quality, optimizing product packaging designs, and adjusting product prices to stabilize the gross profit margin of its product mix. The effect of these measures was to actually enhance the overall gross profit margin of the Group's products, despite rising costs.

During the year, the Group added the message that Uni-President instant noodles was the official instant noodle sponsor of the 2008 Olympic Games on product packaging and in its advertisements, with the aim of taking advantage of the Olympics to boost customer awareness of its brand. The Group also collaborated with "Project Hope" to launch the "A Bowl of Noodles Today, A Gold Medal Tomorrow" (今天一碗麵, 明天一面金) charitable campaign under which the Group donates RMB1 cent to "Project Hope" for every packet of instant noodles sold. The programme raised a total of RMB13 million for the charity to improve sports facilities of primary schools in remote areas.

Apart from leveraging the Olympics platform, the Group also implemented strategies around the specific characteristics and needs of different product series to maintain its leadership in the high-price packet noodle market. For example, selling points for the “Uni-President 100” (統一100) brand noodles, which contains Chinese sauerkraut, include unique indigenous tastes and the skill involved in the stir-fry preparation. For “Lai Yi Tong” (來一桶) bowl noodles, convenience is the promotional focus and sales were pushed at dedicated channels and traffic intersections. The “Qiao Mian Guan” (巧麵館) brand continued to boast offers of different local tastes including the sautéed spicy pork flavour series in south western China to reinforce its local delicacy image. As for products under the “Good Economy” (好勁道) brand, building on the stable sales of “Big Bone Soup Noodle” (上湯大碗麵), the Group strove to increase the portion of bowl noodles in total noodle sales and to improve the gross profit margin of brand products by adjusting the product mix. The promotion of snack noodles was centered around the Olympics. Products were bundled with specially designed drawing books and free gifts as students were the target of marketing efforts. The Group also launched a new product series branded “Ka Duo Wei” (咔多味) to enrich its product portfolio and provide customers with more choice.

Benefiting from the effect of the Olympics, revenue of instant noodles grew by 13.8% in the second half of 2007 when compared with the same period in the previous year.

Quality Control

Uni-President China has always striven to develop more tasty and healthy products, strengthen quality control, build up cutting-edge technologies in the industry and satisfy customers’ demands. Its research and development (R&D) centre in the PRC is its most important R&D department responsible for developing various products for the Group to be sold in domestic and overseas markets, and for safeguarding product quality throughout the supply chain, from sourcing of ingredients from farmhouses all the way to when products are ready for consumption.

All 12 instant noodle and beverage production enterprises under the Group have obtained QS certificates and are equipped with ISO9001: 2000 international quality management systems and have implemented the HACCP food safety and management system. These measures are taken to ensure safety throughout the production process and compliance with the highest hygiene standards, and the delivery of high quality and delicious foods to customers. The beverages and instant noodles produced by the Group were awarded the Certificate for Product Exemption from Quality Surveillance Inspection in 2005, recognising the Group’s leading technologies and the stable quality of its products.

The food testing laboratory of the Group’s R&D centre in the PRC is primarily responsible for food safety and quality analysis. In 2005, it passed examination by the China National Accreditation Service for Conformity Assessment to become one of the few recognized laboratories of its kind in the PRC. The findings of its food safety tests for pesticide residues, preservatives, artificial colorants and heavy metal residues, and its analyses of nutrient contents including amino acids and ingredients meet the international standards used as a reference by 44 major countries and districts. During the year, the Group acquired advanced equipment for the laboratory to ensure that it can continue to provide professional and authoritative food testing services for Uni-President China and its subsidiaries and help to ensure the Group’s products are of high quality and comply with food safety standards.

Prospects

We expect 2008 to be another challenging year for the Group. To facilitate tapping market opportunities and staying ahead of the competition, the Group was listed in Hong Kong in December 2007 and raised sufficient funds to support future business development. The Group will continue to adhere to its business strategies of focusing on innovation and R&D and strengthening quality management, thereby seizing more opportunities in the fast growing PRC consumer market.

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

The Group completed R&D work at the end of 2007 for the 100% Frutiva (100%富堤瓦果汁) juice series which targets office workers and is scheduled to launch in 2008. In addition, the mid-price mineral water product Alkaqua hit the Shanghai and Suzhou markets in April 2008 and will subsequently be introduced in other first-tier coastal cities. The Group is also actively preparing to launch new high-end mineral water products.

Equipped with years of experience in the food and beverage industry and an established brand, management will continue to develop more new products, improve product quality and reduce production costs, with the aim of achieving long-term steady growth for Uni-President China and generating better returns for its shareholders.

Financial Position

As at 31 December 2007, the Group had RMB3,411.9 million in cash at bank and in hand and short-term bank deposits. Current assets amounted to approximately RMB4,340.3 million (2006: RMB1,840.4 million) and current liabilities were approximately RMB1,754.8 million (2006: RMB2,018.1 million). Contingent liabilities were approximately RMB150.3 million (2006: approximately RMB 116.8 million). With net current assets of RMB2,585.5 million, the Group maintained strong liquidity. The Group's total borrowings comprised bank borrowings of RMB296.2 million (2006: RMB714.5 million), all of which were repayable within one year. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	1,730,245	2,017,172
Less: cash and cash equivalent	<u>(3,411,868)</u>	<u>(841,123)</u>
Net debt	(1,681,623)	1,176,049
Total equity	<u>5,184,827</u>	<u>2,532,230</u>
Total capital	<u>3,503,204</u>	<u>3,708,279</u>
Gearing ratio	<u>(48.00%)</u>	<u>31.71%</u>

As at 31 December 2007, the Group had not created any charges on its assets.

Treasury Policy

The Group has consistently exercised financial prudence, and it continued to enjoy a strong financial standing during the year under review with low gearing and a net cash position. The Group financed its operations and business development with a combination of internally generated resources and banking facilities provided by its principal bankers. The borrowings of the Group were used by its subsidiaries and were interest-bearing loans. Large amount of cash in bank and some borrowings were denominated in foreign currencies, the Group will, in the future, use appropriate tools to hedge against potential currency risks.

Human Resources and Remuneration Policy

As at 31 December 2007, the Group had 15,867 employees, of whom approximately 470 were engineers or technicians who received education in professional institutions or holding higher qualifications.

Staff deployment as at 31 December 2007 is set out as follows:

Positions

Production	5,495
Sales and marketing	7,079
Management and other administrative duties (including procurement and supply)	2,024
R&D (including quality control)	434
Finance and accounting	835
Total	15,867

The Group enters into individual employment contracts with its employees, covering remuneration, statutory subsidies, social security welfare, employee benefits, workplace safety and hygienic conditions, confidentiality obligations and termination conditions. Except for employment contracts with middle and senior management staff, our employment contracts have a term of one to three years, while the probation period of new employees ranges from one to three months.

We will continue to enhance the skills and techniques of our management staff and other employees and increase investment in continuing education and training schemes. We arrange internal and external on-the-job training for our employees to improve their skills and techniques. The scope of training programmes ranges from basic production methods, to advanced skills training and the professional development of management staff.

AUDIT COMMITTEE

The Audit Committee 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 ended 31 December 2007.

FINAL DIVIDEND

The Board does not recommend to declare or pay any final dividend for 2007.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Hong Kong Stock Exchange on 17 December 2007. The net proceeds from the Company's issue of new shares including the net proceeds from the partial exercise of the over-allotment option (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company on the Main Board of the Hong Kong Stock Exchange), are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus of the Company dated 4 December 2007.

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 during the year.

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

In 2007, the Company has applied and complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2008 to 27 May 2008 (both days inclusive) in order to determine the entitlement of shareholders to attend the annual general meeting of the Company, during which period no transfer of shares in the Company will be effected. In order to be entitled to attend the annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 23 May 2008.

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

The 2007 annual report will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

The consolidated financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2006 or 2007 but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007, which contain an unqualified auditors report, will be delivered to the Registrar of Companies, and despatched to shareholders as well as made available on the Company's website at <http://www.upch.com.cn>

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

* For identification purpose only