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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 2013 INTERIM RESULTS**

- Revenue amounted to RMB12,203.9 million, up by 14.6%
- Group gross margin of 34.0%, down by 0.6 percentage points
- EBITDA of RMB1,283.7 million, up by 32.7%
- Profit attributable to equity holders of the Company of RMB574.9 million, up by 13.9%

The board of directors (“Board”) of Uni-President China Holdings Ltd. (“Company”) is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (together, “Group”) for the six months ended 30 June 2013 (“Period under Review”). The interim condensed consolidated financial information is unaudited but has been reviewed by the audit committee of the Company and PricewaterhouseCoopers, the independent auditor of the Company, in compliance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **ECONOMIC ENVIRONMENT**

The global economy is yet to recover in the first half of 2013, as reflected by the marked slowdown of the Chinese economic growth in the second quarter of 2013 and the economic hardships faced by the greater Eurozone. These fundamental problems remain difficult to resolve. Despite the slight improvement in the economy, the United States maintains a loose monetary policy, indicating uncertainties of economic growth. On the other hand, the government of the People’s Republic of China (“PRC”) continues with its macroeconomic controls and industrial restructuring by a series of effective measures. The gross domestic product (“GDP”) of China for the first half of 2013 recorded a year-on-year growth of 7.6% but the year-on-year growth rates for the first quarter and the second quarter were 7.7% and 7.5% respectively, which indicated a slowdown in the second quarter. At the end of June 2013, the central bank of the PRC made an unexpected move by tightening liquidity in the market in order to adjust credit growth, causing seasonal cash shortage among banks and financial institutions. Hence, the Group takes a “wait-and-see” attitude towards the PRC economic development for the second half of 2013.

## FINANCIAL RESULTS

Due to the significant downswing in the PRC economic growth in the first half of 2013 and the intensifying competition within the industry, revenue, gross profit and operating profit of the Group showed a slower growth during the Period under Review. Nevertheless, the Group outperformed the market in terms of revenue growth as a result of the effective implementation of its focused operating strategies and increased brand value. During the Period under Review, the Group recorded a revenue of RMB12,203.9 million, representing an increase of 14.6% from RMB10,648.1 million for the corresponding period last year. Our gross profit increased by 12.6% to RMB4,144.7 million, while the gross profit margin dropped by 0.6 percentage points to 34.0% from 34.6% compared to the corresponding period last year. The slight decrease in gross profit margin was mainly attributable to the sluggish instant noodles and beverage markets and intensifying industry competition, and the relatively lower prices of major raw materials during the Period under Review were not able to set off the effect. Also, the Group devoted more resources in improving our products in order to enhance our market share. The operating profit included a net gain of RMB213.3 million from the sale and transfer of machineries and equipment of 北京統一飲品有限公司 (Beijing President Enterprises Drinks Co., Ltd.\*) and 崑山統一企業食品有限公司 (Kunshan President Enterprises Food Co., Ltd.\*), wholly-owned subsidiaries of the Company, from the Group to Cayman Ton Yi (China) Holdings Limited, a connected person of the Group, at a consideration of RMB620.0 million in June 2013. Due to the proactive efforts of the Group in brand building of its instant noodles and beverage business and sales channel development to expand its customer base during the Period under Review, selling and marketing expenses increased to RMB3,498.2 million (first half of 2012: RMB2,882.5 million). Administrative expenses for the Period under Review amounted to RMB390.3 million (first half of 2012: RMB353.0 million), which was mainly attributable to the increase in operating expenses in relation to the Group's expansion. During the Period under Review, share of net profit of jointly controlled entities and associates reduced to RMB48.4 million (first half of 2012: RMB63.6 million) as a result of the sluggish economic growth. Profit attributable to equity holders of the Company for the Period under Review increased by 13.9% to RMB574.9 million (first half of 2012: RMB504.9 million).

## BUSINESS REVIEW

### Instant Noodles Business

Our instant noodles business managed to secure its growth during the first half of 2013 with a revenue of RMB3,776.7 million for the first half of the year, representing a year-on-year growth of 10.4%. According to ACNielsen, sales of the instant noodles market for the first half of 2013 grew by only 4.5% on an overall basis as compared to the corresponding period last year. Our instant noodles business continued to outperform the market in general with a constant and stable increase in the market share, which rose by 1.8 percentage points from 15.1% for the first half of 2012 to 16.9% for the first half of 2013. With our effective and focused operating strategy, our key product, “Lao Tan Pickled Cabbage and Beef Flavoured Noodles (老壇酸菜牛肉麵)”, recorded a sustainable growth and ranked the second among all Chinese instant noodle flavours in terms of sales. The new product, “Braised Beef Flavoured Noodles (滷肉麵)”, maintained a rapid growth during the first half of 2013 and became the second most successful key instant noodles flavour of the Group.

ACNielsen reported that sales volume of instant noodles in general grew significantly slower as compared to the corresponding period with a growth rate of only 0.5% during the first half of 2013. The operating environment and market competition have been tough. However, the increase in sales amount has exceeded that in sales volume for several years continuously, clearly indicating an undergoing industry upgrade. Mid-to-high-priced instant noodles will become increasingly popular in the future. The Group has already shifted the focus to mid-to-high-priced instant noodles and has been following a “value-oriented marketing (價值行銷)” strategy since the second half of 2008. We set ourselves to offer noticeably unique and high value-added products to consumers, and have outgrew the industry performance in general for three consecutive years. Our key product, “Lao Tan Pickled Cabbage and Beef Flavoured Noodles”, has led a further market change in terms of flavour. In the first half of 2013, the share of pickled cabbage flavoured noodles ranked the second in the market. Our “Lao Tan Pickled Cabbage and Beef Flavoured Noodles” was able to maintain its leading position in the pickled cabbage flavoured noodles market according to ACNielsen.

Many competitors in the market have also released products similar to “Lao Tan Pickled Cabbage and Beef Flavoured Noodles” to compete with us. In view of the surge of similar products, we maintained our focused operating strategy to differentiate ourselves from the competing, imitating pickled cabbage flavoured products by means of brand promotion and marketing, which strengthened our interaction with consumers, advocated our “authenticity of Lao Tan (正宗老壇)” concept, promoted our “Made by 81-day Double Fermentation with Traditional Pickling Jars (傳統老壇, 雙重發酵, 九九八十一天)” technique, and established the image of “Uni-President Lao Tan: Authentic Sourness and Crunchiness (酸爽宗師統一老壇)” in consumers’ hearts. In respect of product quality, we continued to improve our product in order to outshine our competitors and secure our leading position in the spicy flavours market. For the new “Braised Beef Flavoured Noodles”, we focused on building the image of “Braised Beef Flavoured Noodles is the Choice for New Generation Consumers (滷肉麵, 新一代的選擇)” among consumers and obtaining share in the non-spicy market actively. Extending our marketing theme of “Enjoy the Perfect Taste of Braised Meat (完美的滷香體驗)”, we promoted the concept of “Long-Pickled and Slow-Braised with 18 Selected Pickling Ingredients, Delivering Rich Aroma and Taste (精選十八味滷料, 老滷慢燉, 香透入味)” on the media and actively held free tasting events called “Invitation to a Feast Full of Braised Flavours (滷香盛宴, 邀您共享)” and exhibited the “Box of 18 Pickling Ingredients (十八香滷料盒)” around the cities to give a full demonstration of the product’s quality.

In respect of sales channels construction, we continued to adopt the strategy of “celebrity products driving development of sales channels (明星產品帶動通路建設)” and allocate resources to expand new channels. Besides enhancing sales of the existing network, we have also devoted great efforts to the development of new points of sales. We have basically completed a dealership and distributor network from first tier cities to prefecture-level cities, counties and townships across the PRC. At the same time, the penetration of our channels into rural markets continued through rural procurement conferences and roadshows in market time. The Group also devoted great efforts to the development of railway, highway, airport, factory, mine, construction site and chain hotel as special new sales channels.

Our instant noodles business recorded a lower profit margin for the first half of 2013 as the Group has expanded its investment in marketing activities in order to enhance the competitiveness of our products and strengthen our brand-building efforts in the face of sluggish growth and intense competition within the industry. However, the Group fought with the tough operating environment successfully and posted an

increased revenue, which was a double of the market growth, as well as an increase in market share. For the second half of 2013, we will continue to maintain the edge of our products and invest in marketing where necessary in order to establish our key products, “Lao Tan Pickled Cabbage and Beef Flavoured Noodles” and “Braised Beef Flavoured Noodles”, as the two cornerstones of our instant noodles business and gain further foothold in the instant noodles market.

## **Beverage Business**

### ***Tea Drinks***

During the first half of 2013, revenue from our tea drinks business amounted to RMB3,453.5 million, up by 10.8% as compared with the corresponding period last year. According to ACNielsen, the ready-to-drink tea (excluding milk tea) market continued to shrink in the first half of 2013 with an 8.7% year-on-year drop in overall tea drink sales amount. In contrast, our tea drinks business managed to increase its revenue amid persistent contraction of the market in general. Our market share in the tea drinks market increased substantially by 3.5 percentage points from 21.2% for the first half of 2012 to 24.7%.

In the first half of 2013, our tea drinks business maintained its value-oriented marketing strategy and concentrated its resources on our core products, “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)”. Further to the introduction of an enhanced formula to our “Uni Ice Tea” last year in which a refreshing and smooth lemon-flavoured product was added, “Uni Ice Tea” kicked off its celebrity endorsement campaign featuring Avril Lavigne, an international star, together with the thematic activity of “In Pursuit of Unlimited, Dare to Reach Target (極限潮趴, 巔峰我敢造)” this year. The brand fused marketing events with media advertising, in particular a combination of new media advertisements, and organised a wide range of topical campus events during the year, such as “Reaching Target with Avril Lavigne (集艾造巔峰)” and “Skateboarding Together in the Provincial Capitals (省會城市大型潮趴)”. Such activities successfully publicised the core brand theme of “Uni Ice Tea” of “Youth Unlimited (年輕無極限)” and enhanced the brand’s identity and uniqueness. We have also improved the formula of “Uni Green Tea” in 2013 to create a purer and more refreshing taste. Coupled with the new package design, the new formula helped to establish a younger and trendier image for the brand. The major event of “Uni Green Tea” for 2013 is “Experience the Nature with My Own Tracks (親近自然 我有我騎跡)”, which demonstrated the brand tagline of “Experience the Nature (親近自然)” and strengthened the tie with consumers with a series of topical cycling activities along the most beautiful nature trails in Beijing, Shanghai and Guangzhou and the selection of cycling ambassadors on Earth Day (20 April) together with interactive media advertising. The cycling events of “Uni Green Tea” helped publicise the brand’s “taste of new leaves and aromatic tea (嫩茶味, 好茶味)”, and the naturalness of our products have, conversely, assisted in building up the direct association between “Uni Green Tea = Experience the Nature = Green Cycling (統一綠茶=親近自然=綠色騎行)” so as to enhance the popularity of the “Uni Green Tea” cycling activities among the consumers.

In addition to the existing products, the Group launched brand new product lines, namely the “Natural Intuition (植覺)” series of plant-based tea and the sugar-free “Just Tea (茗茗是茶)” series of pure tea that cater for the growing number of “nature- and health-conscious (天然、健康)” consumers, in the second quarter of 2013 in order to achieve market diversification and expand our tea drinks profile. These products were rolled out in key cities in eastern and southern China.

In the second half of 2013, the Group will use the savings from lower raw material prices and costs for product improvement and marketing. Insisting on our value-oriented strategy, we will increase our investment in brand-building instead of participating in price competition. We will also review both the input and output of our key resources under our guiding principle of “managing resources effectively, optimising product mix and efficiency of policy implementation (資源有效管理、調整產品結構、執行速度)”.

On the brand-building front, “Uni Ice Tea” will turn its focus from campus to offices. Under the “In Pursuit of Unlimited, Dare to Reach Target” campaign, we will organise a super skateboarding event to be endorsed by Avril Lavigne, an international star, in August. This event will be the climax of our brand-building activities during the peak season of tea drink sales and maximise the effect of celebrity endorsement. For “Uni Green Tea”, a super large thematic activity, “Experience the Most Beautiful Trails (騎行最美路線)”, will be held across 12 provinces. Together with other activities on the “Car Free Day (無車日)”, the “Experience the Nature with My Own Tracks” and “Experience the Nature” brand images will be given full play.

In terms of the sales network, while maintaining better relationship with distributors, we will also focus on the storage capacity, distribution, coverage, policy execution and management of key stores in 2013 through expanding our investment in refrigerators and improving the management of our points of sales in order to enhance our market share.

### ***Juice Drinks***

Our juice drinks business carried on its value-oriented marketing strategy and active brand-building efforts during the first half of 2013 and recorded a revenue of RMB2,403.4 million, a year-on-year increase of 23.4%. In comparison, the growth rate of the juice drinks market in general was only 4.7% according to ACNielsen. In particular, pear drinks performed strongly and have become the major juice flavour second only to orange juices. The Group was able to fully utilise celebrity endorsement and outperformed the industry in general by focusing on “More” Orange Juice (統一鮮橙多) under the “More Juice Series (統一多果汁)” and “Crystal Sugar Pear Drink (冰糖雪梨)” under the “Seasonal Drinks (飲養四季)” series.

Adhering to the promotion theme of “Boosting Your Beauty with Vitamin C (多C多漂亮)”, the “More Juice Series” continued to engage Jang Keunsuk, the “Prince of Asia (亞洲王子)”, and Park Min Young, the “Beautiful Princess (漂亮公主)”, to endorse its products in 2013. A micro film and a theme song, ICU, were released under the theme of “International Beauty Inn (蓋世漂亮會)” while a series of events of “International Beauty Inn” were launched since April. The new small-sized 450 ml “More” Orange Juice hit the market with a comprehensive launch campaign conducted on online platforms and media with a wide coverage across television and outdoor and online media. This campaign successfully evoked a “beauty whirlwind (漂亮旋風)” and aroused fierce response after winning the recognition of consumers, thereby utilising the effect of celebrity endorsement to the fullest. Thus, the brand’s equity was demonstrated and communicated to consumers in the most effective way. In comparison, we promoted Crystal Sugar Pear Drink under the “Seasonal Drinks” series, which stresses its “quenching and soothing quality (一口潤心田)”, with the special sponsorship of Zhejiang Satellite TV’s highly

popular “Do You Remember? (我愛記歌詞)” programme which showcases people who are good at remembering lyrics. Through frequent product placement in the programme, our product, relevant brand activities and the “quenching quality (溫潤時刻)” of the brand were widely advertised.

For the second half of 2013, the juice drinks business will operate under the guiding principle of “securing the leadership of its major flavours, adjusting its product mix continually and rationalising resource allocation (確保主力口味領先優勢, 持續調整產品結構, 資源聚焦合理配置)”. Adhering to our value-oriented marketing strategy and carrying on our brand-building efforts, savings from the lower raw material bulk purchasing prices will be applied to product improvement and marketing activities. The “More Juice Series” will continue to demonstrate its image of beauty and youthfulness and uphold its vitality and liveliness with the annual brand events and marketing activities of “International Beauty Inn” in order to accumulate sustainable brand equity. On the other hand, we will advertise the “Seasonal Drinks” series, strengthen its marketing, and demonstrate the “quenching (潤)” quality of this brand through the activities of the “Do You Remember?” programme and interviews with its endorsing celebrity, Fish Leong, and the champion of the programme, together with promotion activities on radio and Weibo. Tickets to such events were highly sought after.

### ***Milk Tea***

Revenue from our milk tea business for the first half of 2013 increased by 14.8% as compared with the corresponding period last year. According to ACNielsen, the market share of “Uni Milk Tea (統一奶茶)” rose to 62.7% in the first half of 2013, thereby maintaining its market leadership. “Uni Milk Tea” is fully committed to the provision of better products of higher quality to consumers, and will carry on its value-oriented marketing strategy.

In 2013, in order to prepare for the traditional sales peak during the Chinese New Year, our milk tea business launched the 1.5-litre package of its leading product line, “Assam Milk Tea (阿薩姆奶茶)”, designed for sharing in a timely manner with a view to satisfying consumers’ increased and diversified consumption needs, promoting its products awareness among consumers and penetrating into county and township markets. “British Earl Grey Milk Tea (英式伯爵奶茶)” carried on its promotion campaign with the theme of good mood from England through offering unique experience to the consumers with advertisements on CCTV, national satellite channels and regional television stations, as well as the “Joyful Playland (好心情遊樂園)” integrated point-of-sales marketing campaign, which involved a series of marketing activities tailored to our target customers such as the interactive “Joyful Playland” experience events held at points of sales and activities on the Internet and Weibo. This campaign has successfully promoted the sustainable growth of “Uni Milk Tea” and enhanced its brand awareness.

For the second half of 2013, “Uni Milk Tea” will uphold its value-oriented marketing strategy so as to promote the noticeable uniqueness of its brand which advocates the “Joyful Mood (好心情)” to differentiate its products. With the effective “Joyful Mood” television commercials, we will interact closely with our young target consumers on the Internet and at the points of sales in order to promote the acceptance of “Uni Milk Tea” among consumers and further strengthen the leading position of “Uni Milk Tea”.

## ***Coffee***

Our coffee business maintained a rapid and steady growth during the first half of 2013 with a year-on-year increase in revenue of 39.1%. The refreshing 450 ml “A-Ha Ice Coffee (雅哈冰咖啡)” and the mid-to-high-end aromatic 280 ml “A-Ha Italian Mocha Pot (雅哈意式摩卡壺)” series tailoring to different targets were both well-received by the consumers. In particular, the “A-Ha Italian Mocha Pot” series received great response from the market with its Italian Mocha Pot espresso coffee process, aromatic and authentic taste and patented groundbreaking octagonal package coupled with the television commercial shot in Italy and aired on television and online media in various major cities.

For the second half of 2013, “A-Ha Coffee” will adhere to its value-oriented and differentiation development strategy, focus on promoting the ready-to-drink coffee market in the PRC and enhance its brand awareness and reputation. Besides promoting the ready-to-drink coffee markets in first tier cities, it will also accelerate its expansion in provincial capitals and second tier cities in order to become one of the leading ready-to-drink coffee brands in the PRC.

## ***Bottled Water***

Total operating income from our bottled water business for the first half of 2013 grew by 29.5%, which was mainly attributable to the mid-to-high-priced natural spring water. The share of “Uni Mineralised Water (統一礦物質水)” in our sales dropped remarkably to less than 20%, while that of the mid-to-high-priced spring water rose to over 80% of the total operating income in the first half of 2013. The restructuring of our product portfolio since 2011 has achieved initial success and the Group will stay focused on mid-to-high-priced natural spring water.

For the first half of 2013, the revenue of the major brand “ALKAQUA” recorded a year-on-year growth of 80.6%. The growth was attributable to its noticeably unique design and positioning, which has won the recognition from its target customers, as compared with similar products. With the continual improvement in living standard, consumers nowadays have higher requirements for drinking water. To satisfy the affluent consumers in their pursuit of healthy and quality lifestyle, the Group launched “Bama Spring Mineral Water (巴馬泉天然礦泉水)”, a new and quality choice for the consumers from Bama, Guangxi (a world-famous town of longevity), early this year.

The Group is actively looking for quality spring water sources across the PRC and will gradually establish more garden-like production bases for spring water throughout the country. Leveraging on its nationwide sales network, the Group will further enhance the scale and efficiency of the sales of its bottled water in order to bring us into the league of leading mid-to-high-priced spring water brands in the PRC within three years. Our bottled water business will strive to provide consumers with better bottled water that are more natural and healthier.

## FINANCIAL ANALYSIS

### Cash and Borrowings

As at 30 June 2013, the Group had a total cash and cash equivalents of RMB2,034.6 million (31 December 2012: RMB2,290.8 million), among which 98.0% were denominated in Renminbi. As at 30 June 2013, the Group had pledged bank deposit of RMB23.0 million (31 December 2012: RMB4.7 million). Current assets of the Group amounted to RMB5,364.5 million (31 December 2012: RMB4,917.3 million) with current liabilities of RMB6,307.5 million (31 December 2012: RMB4,948.2 million). Net current liabilities were RMB943.0 million (31 December 2012: RMB30.9 million). During the Period under Review, the Group mainly finances its working capital and capital expenditure by internally generated cash flows, credit facilities from principal bankers and the fund raised by the debt issue of RMB1,000 million notes due 2016. As at 30 June 2013, the Group's total borrowings increased by RMB1,174.7 million to RMB5,145.6 million (31 December 2012: RMB3,970.9 million), among which 73.6% were repayable over one year and 60.9% were denominated in United States dollar. All of the Group's borrowings are at floating interest rates save for the RMB1,000 million notes due on 2016 which are at a fixed interest rate of 3.5% per annum. As at 30 June 2013, the Group had secured bank borrowings of RMB Nil (31 December 2012: RMB Nil). Due to the increase in profit for the Period under Review, most of the capital expenditure was funded by cash inflow from the Group's operating activities.

### Financing

In June 2013, RMB1,000 million of 3.5 per cent notes due 2016 ("Notes") were issued by the Company by way of debt issue to professional investors only, with the net proceeds (after deducting the related expenses) intended to be used by the Company as general working capital. The approval for the listing of the Notes (Stock Code: 85927) has been granted by The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on, or nearest to, 6 June 2016.

The gearing ratios of the Group as at 30 June 2013 and 31 December 2012 were as follows:

	<b>30 June 2013</b>	31 December 2012
	<b>RMB'000</b>	RMB'000
Total borrowings	<b>5,145,556</b>	3,970,879
Less: cash and cash equivalents	<b>(2,034,568)</b>	(2,290,809)
Net debt	<b>3,110,988</b>	1,680,070
Total equity	<b>8,069,943</b>	7,671,068
Total capital	<b>11,180,931</b>	9,351,138
Gearing ratio	<b>27.82%</b>	17.97%



## Cash Flow and Capital Expenditure

For the six months ended 30 June 2013, the Group recorded a net decrease in cash and cash equivalents of RMB256.2 million, comprising net cash inflow from operating activities of RMB764.2 million, net cash inflow from financing activities of RMB1,067.7 million, and net cash outflow from investing activities of RMB2,087.2 million. The net cash outflow from investing activities was mainly applied to the expansion in scale of production, establishment of new production base and purchasing machinery and equipment for the instant noodles business and beverage business to enhance production capacity in order to satisfy demand from the expansion of consumption market and the Group's business growth. During the Period under Review, the Group had capital expenditure of RMB2,391.9 million (six months ended 30 June 2012: RMB1,440.0 million).

## Analysis of Operating Efficiency

The Group keeps its trade receivables and payables and inventory level under strict control and management. Sales to most customers are made on a delivery on payment basis. The Group's trade receivables are generated from credit sales to credit customers of modern channels including, but not limited to, grocery stores, street stalls and department stores, with credit terms normally ranging from 30 to 60 days. For the Period under Review, trade receivables increased by RMB245.6 million to RMB758.2 million. The Group's inventories mainly comprised raw and packaging materials, finished goods and low value consumables. The inventory turnover days decreased by 5 days as compared with that in 2012 as the finished products continuously sold well in various sales channels. As at 30 June 2013, the inventory balance decreased to RMB1,225.6 million as compared with the beginning of the year. The Group's trade payables mainly arise from credit purchases of raw materials. For the Period under Review, the Group recorded an increase in trade payables by RMB154.2 million to RMB1,596.2 million, mainly due to the increase in purchase of raw materials and increase in accounts payable resulting from the growth in sales for the Period under Review.

	<b>30 June 2013</b>	31 December 2012
Trade receivable turnover days	<b>9</b>	9
Inventory turnover days	<b>28</b>	33
Trade payable turnover days	<b>34</b>	34

## Financial Management and Policy

In view of the uncertain global economic outlook for 2013, the Group adheres to the principle of financial prudence. We responded to risks and moved forward in a steady pace by adjusting sales and marketing expenses, increasing in capital expenditures, and improving and expanding infrastructure according to market conditions. The Group's financial department formulates financial risk management policies based on the policies and programmes approved by the Board and under the guidance of the executive directors of the Company. Such financial risk management policies were regularly reviewed by the Group's internal audit department. The Group's financial policies aim at reducing the impact of interest rate and exchange rate fluctuations on the Group's overall financial position, as well as minimising the Group's financial risk exposure.

The Group's financial department provides centralised financial risk (including interest rate and foreign exchange risks) and cash flow management, and cost-effective funding for the Group and its members. The functional currencies of most of the Group's members are Renminbi since the majority of their revenues are derived from operations in the PRC. Foreign exchange risk may arise from future borrowings from overseas and recognised assets or liabilities, such as cash and cash equivalents and borrowings, part of which are denominated in United States dollar and Hong Kong dollar. The Group uses foreign exchange forward contracts outside the PRC for risk management and control of the Group's assets and liabilities when interest or exchange rates were uncertain or fluctuate, or whenever suitable. Our policy is not to engage in speculative derivative financial transactions nor invest the current capital in financial products with significant underlying leverage or risk, including hedge funds or similar instruments.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 June 2013.

## **PROSPECTS**

Looking forward to the second half of 2013, in spite of the slowdown in the PRC economy, the Group will continue to cautiously expand its operation, pursue its operation strategy of “staying focused in business strategy and streamlining operations ( 聚焦經營、簡單操作 )” and make every effort to increase corporate and shareholder value. To manage industry competition and enhance operational efficiency, the Group has made proactive efforts in brand building, further developed its sales network, optimised its product mix and moderately adjusted its sales and marketing expenses. In respect of food safety, the Group will strictly implement its quality control measures in order to ensure that all products meet the safety standards.

## **HUMAN RESOURCES AND EMOLUMENT POLICY**

As at 30 June 2013, the Group had 38,916 employees. In view of the huge market opportunities for dairy beverages and food products in the PRC, the Group is actively expanding its foothold on a large scale, thus fuelling a huge demand for talents. It aims at fulfilling the human resources demand arising from the rapid business and production expansion by adopting a more prudent and effective approach in the selection and hiring process. In respect of the new grass roots staff, the Company devotes considerable resources in staff training and monitoring their development and progress in a timely manner in order to familiarise them with the working environment and build up team spirit. Meanwhile, the Company recognises the value of its key personnel in maintaining team morale and competitiveness. Both internal promotion and external recruitment are applied to select and promote outstanding employees for vacant positions and attract qualified candidates to join the Company. The Group ensures the continuity of the senior management by grooming management talents with various measures, such as continuous internal training and appropriate job rotation as well as external on job training.

## GROUP RESULTS

The Board of the Company is pleased to announce the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2013.

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

*For the six months ended 30 June 2013*

*(All amounts in thousands of Renminbi unless otherwise stated)*

		Unaudited	
		Six months ended 30 June	
	Note	2013	2012
<b>Revenue</b>	4	<b>12,203,925</b>	10,648,116
Cost of sales		<u>(8,059,211)</u>	<u>(6,968,271)</u>
<b>Gross profit</b>		<b>4,144,714</b>	3,679,845
Other gains, net		<b>312,595</b>	51,974
Other income		<b>137,725</b>	87,358
Other expenses		<b>(86,270)</b>	(43,242)
Selling and marketing expenses		<b>(3,498,157)</b>	(2,882,481)
Administrative expenses		<u><b>(390,298)</b></u>	<u>(352,994)</u>
<b>Operating profit</b>	5	<b>620,309</b>	540,460
Finance income		<b>98,163</b>	50,997
Finance costs		<u><b>(37,556)</b></u>	<u>(39,330)</u>
Finance income – net		<b>60,607</b>	11,667
Share of profits from jointly controlled entities and associates		<u><b>48,353</b></u>	<u>63,619</u>
<b>Profit before income tax</b>		<b>729,269</b>	615,746
Income tax expense	6	<u><b>(154,419)</b></u>	<u>(110,892)</u>
<b>Profit for the period, attributable to equity holders of the Company</b>		<u><b>574,850</b></u>	<u>504,854</u>
<b>Earnings per share for profit attributable to equity holders of the Company</b> <i>(expressed in RMB per share)</i>			
– Basic and diluted	7	<u><b>15.97 cents</b></u>	<u>14.03 cents</u>
<b>Dividends</b>	8	<u><b>–</b></u>	<u>–</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

(All amounts in thousands of Renminbi unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2013	2012
<b>Profit for the period</b>	<u>574,850</u>	<u>504,854</u>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	(3,040)	(12,098)
Transfer of fair value loss previously taken to reserve to income statement upon impairment of available-for-sale financial assets, net of tax	–	10,621
<i>Item that may be reclassified to profit or loss</i>		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	<u>(1,745)</u>	<u>66,977</u>
<b>Other comprehensive (losses)/income for the period</b>	<u>(4,785)</u>	<u>65,500</u>
<b>Total comprehensive income for the period, attributable to equity holders of the Company</b>	<u><u>570,065</u></u>	<u><u>570,354</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2013

(All amounts in thousands of Renminbi unless otherwise stated)

	<i>Note</i>	<b>Unaudited 30 June 2013</b>	Audited 31 December 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use right		<b>1,805,502</b>	1,426,756
Property, plant and equipment		<b>8,951,990</b>	7,911,655
Investment properties		<b>183,162</b>	167,880
Intangible assets		<b>6,101</b>	6,937
Interests in jointly controlled entities and associates		<b>1,416,148</b>	1,329,572
Available-for-sale financial assets		<b>580,456</b>	586,272
Deferred income tax assets		<b>208,150</b>	173,070
Other non-current receivables		<b>14,108</b>	20,418
		<b>13,165,617</b>	11,622,560
<b>Current assets</b>			
Inventories		<b>1,225,608</b>	1,284,940
Trade receivables	<i>9</i>	<b>758,212</b>	512,579
Prepayments, deposits and other receivables		<b>1,323,155</b>	824,261
Pledged bank deposits		<b>22,980</b>	4,664
Cash and cash equivalents		<b>2,034,568</b>	2,290,809
		<b>5,364,523</b>	4,917,253
<b>Total assets</b>		<b>18,530,140</b>	16,539,813

	<i>Note</i>	<b>Unaudited 30 June 2013</b>	Audited 31 December 2012
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		34,047	34,047
Share premium		2,243,980	2,243,980
Other reserves			
– Proposed dividends		–	171,178
– Others		5,791,916	5,221,863
		<u>8,069,943</u>	<u>7,671,068</u>
<b>Total equity</b>		<b><u>8,069,943</u></b>	<b><u>7,671,068</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liability		159,084	161,111
Borrowings		3,785,584	3,562,321
Other payables – non-current portion		207,982	197,130
		<u>4,152,650</u>	<u>3,920,562</u>
<b>Current liabilities</b>			
Trade and bills payables	10	1,596,172	1,441,944
Other payables and accruals		3,238,032	2,995,557
Borrowings		1,359,972	408,558
Derivative financial instruments		1,450	–
Current income tax liabilities		111,921	102,124
		<u>6,307,547</u>	<u>4,948,183</u>
<b>Total liabilities</b>		<b><u>10,460,197</u></b>	<b><u>8,868,745</u></b>
<b>Total equity and liabilities</b>		<b><u>18,530,140</u></b>	<b><u>16,539,813</u></b>
<b>Net current liabilities</b>		<b><u>(943,024)</u></b>	<b><u>(30,930)</u></b>
<b>Total assets less current liabilities</b>		<b><u>12,222,593</u></b>	<b><u>11,591,630</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

## 1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

## 2 Key events

In June 2013, the Group completed the sale of various production lines to two subsidiaries of the ultimate holding company of the Group, which was used for manufacture of beverage products with Polyethylene terephthalate ("PET") and Tetra Pak ("TP") packaging and bottling, at a total cash consideration of RMB620,000,000. A gain on disposal of these production lines amounting to RMB213,264,000 was recognised in the interim consolidated income statement.

In June 2013, the Group issued 3.5% notes at a total nominal value of RMB1 billion. The notes will be due for repayment in full on 6 June 2016.

## 3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2012, as described in the annual financial statements.

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(c) HKAS 1 (Amendment) "Presentation of financial statements". The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The new amendments on presentation of financial statements have been adopted by the Group, which are set out in the statement of comprehensive income.

(d) HKFRS 13 "Fair value measurements". HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The new disclosure requirements on fair value measurement have been adopted by the Group, which are set out in Note 5.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

#### **4 Segment information**

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business only from a product perspective as over 90% of the 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 the operating segments based on segment profit or loss. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

The majority of the Group's sales are retail sales 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 six months ended 30 June 2013 is as follows:

	Six months ended 30 June 2013				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>8,261,555</u>	<u>3,776,708</u>	<u>165,662</u>	<u>-</u>	<u>12,203,925</u>
Segment profit/(loss)	662,287	(60,314)	12,935	5,401	620,309
Finance income – net					60,607
Share of profits/(losses) from jointly controlled entities and associates	55,116	-	-	(6,763)	<u>48,353</u>
Profit before income tax					729,269
Income tax expense					<u>(154,419)</u>
Profit for the period					<u>574,850</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>380,802</u>	<u>105,967</u>	<u>4,917</u>	<u>25,224</u>	<u>516,910</u>
<b>Capital expenditure</b>	<u>2,016,121</u>	<u>284,625</u>	<u>25,268</u>	<u>65,848</u>	<u>2,391,862</u>
<b>As at 30 June 2013</b>					
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	10,045,837	3,098,512	145,682	3,823,961	17,113,992
Interests in jointly controlled entities	222,091	-	-	9,964	232,055
Interests in associates	972,378	-	-	211,715	<u>1,184,093</u>
Total assets					<u>18,530,140</u>
Liabilities	3,446,632	1,228,653	30,916	5,753,996	<u>10,460,197</u>
Total liabilities					<u>10,460,197</u>

The segment information for the six months ended 30 June 2012 is as follows:

	Six months ended 30 June 2012				Group
	Beverages	Instant noodles	Others	Unallocated	
<b>Segment results</b>					
Revenue	<u>7,113,892</u>	<u>3,420,482</u>	<u>113,742</u>	<u>–</u>	<u>10,648,116</u>
Segment profit/(loss)	428,574	177,541	7,633	(73,288)	540,460
Finance income – net					11,667
Share of profits/(losses) from jointly controlled entities and associates	64,596	–	–	(977)	<u>63,619</u>
Profit before income tax					615,746
Income tax expense					<u>(110,892)</u>
Profit for the period					<u>504,854</u>
<b>Other income statement items</b>					
Depreciation and amortisation	<u>243,911</u>	<u>92,640</u>	<u>4,503</u>	<u>21,962</u>	<u>363,016</u>
<b>Capital expenditure</b>					
	<u>1,187,102</u>	<u>240,364</u>	<u>11,156</u>	<u>1,414</u>	<u>1,440,036</u>
<b>As at 31 December 2012</b>					
	Beverages	Instant noodles	Others	Unallocated	Group
<b>Segment assets and liabilities</b>					
Assets	8,337,870	2,903,484	134,662	3,834,225	15,210,241
Interests in jointly controlled entities	181,477	–	–	7,823	189,300
Interests in associates	928,374	–	–	211,898	<u>1,140,272</u>
Total assets					<u>16,539,813</u>
Liabilities	2,971,311	1,515,471	28,356	4,353,607	<u>8,868,745</u>
Total liabilities					<u>8,868,745</u>

## 5 Operating Profit

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months ended 30 June	
	2013	2012
Cost of inventories	6,823,362	6,273,137
Promotion and advertising expenses	1,551,919	1,406,610
Employee benefit expenses, including directors' emoluments	1,492,314	1,115,327
Transportation expenses	564,492	488,518
Depreciation and amortization	516,910	363,016
Operating lease in respect of buildings	96,482	75,893
Provision (reversal of provision) for impairment of		
– Property, plant and equipment	(27)	–
– Trade receivables	3,254	1,652
– Available-for-sale financial assets	–	16,786
Fair value losses on other financial liability at fair value through profit or loss	1,450	–
Write-down/(reversal of) of inventories to net realizable value	1,440	(7,789)
(Gains)/losses from disposal of property, plant and equipment ( <i>Note (a)</i> )	(196,499)	271
Gains from disposal of available-for-sale financial assets	(3,040)	(12,098)
Dividend income from available-for-sale financial assets	(5,684)	(4,827)
Government grants ( <i>Note (b)</i> )	(110,792)	(35,706)
Subsidy income	(24,117)	(5,263)
	<u>                    </u>	<u>                    </u>

- (a) During the six months ended 30 June 2013, the gains from disposal of property, plant and equipment included the disposal gains amounting to RMB213,264,000 from the sale of various production lines to two subsidiaries of the ultimate holding company of the Group with a total cash consideration of RMB620,000,000.
- (b) The income from government grants represented immediate financial support subsidy received from various local governments in the PRC as rewards to the Group's subsidiaries for their contributions to the economy and development of the regions in which the subsidiaries are located. Such government grants were unconditional and with no future commitment to be fulfilled. Accordingly, they were recognised as income in the consolidated income statements.

## 6 Income taxes

	Six months ended 30 June	
	2013	2012
Current income tax		
– Mainland China corporate income tax ("CIT")	191,685	149,448
Deferred income tax	(37,266)	(38,556)
	<u>                    </u>	<u>                    </u>
	<u>154,419</u>	<u>110,892</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.

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The standard tax rate of the most of the company's subsidiaries incorporated in the PRC remains no change as 25% in the year ending 31 December 2013 (2012: 25%). Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

## 7 Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Profit attributable to equity holders of the Company	<b>574,850</b>	504,854
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>3,599,455</b>	3,599,455
Basic earnings per share ( <i>RMB per share</i> )	<b><u>15.97 cents</u></b>	<u>14.03 cents</u>

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

## 8 Dividends

Dividends in relation to the years ended 31 December 2012 and 2011 amounting to approximately RMB171 million and RMB94 million were paid in June 2013 and June 2012, respectively.

The directors do not recommend an interim dividend in respect of the six months ended 30 June 2013 (2012: Nil).

## 9 Trade receivables

	<b>30 June</b>	31 December
	<b>2013</b>	2012
Trade receivables		
– third parties	<b>734,628</b>	508,693
– related parties	<b>33,184</b>	10,232
	<b><u>767,812</u></b>	<u>518,925</u>
<i>Less: provision for impairment</i>	<b><u>(9,600)</u></b>	<u>(6,346)</u>
Trade receivables, net	<b><u>758,212</u></b>	<u>512,579</u>

The credit terms granted to customers by the Group are usually 60 to 90 days. At 30 June 2013, the ageing analysis of trade receivables is as follows:

	<b>30 June 2013</b>	31 December 2012
Trade receivables, gross		
– Within 90 days	<b>720,532</b>	489,653
– 91-180 days	<b>45,689</b>	27,755
– 181-365 days	<b>733</b>	1,250
– Over 1 year	<b>858</b>	267
	<u>767,812</u>	<u>518,925</u>

## 10 Trade and bills payables

	<b>30 June 2013</b>	31 December 2012
Trade payables		
– third parties	<b>1,297,983</b>	1,202,767
– related parties	<b>298,189</b>	239,177
	<u>1,596,172</u>	<u>1,441,944</u>

At 30 June 2013, the ageing analysis of trade payables is as follows:

	<b>30 June 2013</b>	31 December 2012
Trade payables		
– Within 180 days	<b>1,575,470</b>	1,423,589
– 181 to 365 days	<b>13,243</b>	10,275
– Over 1 year	<b>7,459</b>	8,080
	<u>1,596,172</u>	<u>1,441,944</u>

## **AUDIT COMMITTEE REVIEW**

The audit committee comprises Mr. Fan Ren-Da, Anthony, Mr. Chen Sun-Te, Mr. Lin Lung-Yi and Mr. Lo Peter. Except for Mr. Lin Lung-Yi who is a non-executive director of the Company, the other members of the audit committee are independent non-executive directors of the Company. The audit committee reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2013 and has recommended their adoption by the Board.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the directors of the Company, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the Period under Review.

In addition, to demonstrate the continued commitment of the Company to high standards of corporate governance, the Board adopted a Board Diversity Policy in June 2013 to comply with a new code provision on the board diversity which will be effective from 1 September 2013. The Board Diversity Policy is available on the website of the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY**

The 2013 interim report of the Company will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange and the Company's website (<http://www.upch.com.cn>) in due course. The 2013 interim financial information set out above does not constitute the Company's statutory financial statements for the six months ended 30 June 2013 but is extracted from the financial statements for the six months ended 30 June 2013 to be included in the 2013 interim report.

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

Hong Kong, 9 August 2013

*As at the date of this announcement, the Board comprised Mr. Lo Chih-Hsien and Mr. Hou Jung-Lung 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. Yang Ing-Wuu and Mr. Lo Peter as independent non-executive directors.*