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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 2018 FINAL RESULTS**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to RMB21,772.2 million, up by 4.6% as compared with the previous year (restated).
- Group gross margin was 33.5%, up by 1.9 percentage points as compared with the previous year (restated).
- EBITDA was RMB2,954.1 million, up by 8.4% as compared with the previous year.
- Profit attributable to equity holders of the Company was RMB1,029.7 million, up by 17.2% as compared with the previous year.

**FINAL DIVIDEND**

- Final dividend for 2018 of RMB23.84 cents per share has been proposed.

In 2018, Uni-President China Holdings Ltd. (the “Company”) and its subsidiaries (together as the “Group”, “our Group”, “we”, “our” or “us”) adhered to its corporate vision of “Honesty and Diligence; Innovation and Excellence (誠實勤道、創新求進)”, as well as upholding the principle of “Honest Operation (正派經營)” and “Healthy Practice (健康操作)”, for the purpose of steady development, ongoing optimization and evolving into an enterprise boasting its “Integrity (品格)”, “Brand (品牌)” and “Taste (品味)”.

With the improvement of economic growth, innovation-driven development accelerated the change of the times, new industries, new business models and new technologies, new products, new services, etc., impacting the lives of consumers. Accompanied by consumption upgrade and changes in lifestyle, the Group pays attention to the consumers' demand for quality life, and develops various new products to meet such demand. In 2018, in accordance with the trend of consumption, self-heating hotpot and meals as well as various snack foods were launched, which improved the convenience and variety of enjoying gourmet. For our beverages business, refrigerated tea drinks and juice were launched, which are kept refrigerated from production to delivery for better and fresher taste. We also entered into the botanical protein-soy milk business, and planned the launch of the convenient and environmental-friendly ultra-modern aluminum can (Bottle Can) product series. The Group has been striving to continue to move forward for better consumer satisfaction.

The Group's revenue and profits after tax for 2018 increased by 4.6% and 17.2% respectively as compared with those of last year, thus achieving our goals of "growth of annual profit exceeding that of revenue" and "enhanced profitability". The revenue of "Soup Daren (湯達人)" recorded steady growth and was able to uplift the attributable share of lifestyle noodles revenue priced at RMB5.0, thereby successfully refining the product mix and strengthening our profitability. Meanwhile, "Uni Assam Milk Tea (統一阿薩姆)" continued being the favourite product among customers, and ranked the top in the category of milk tea products. Classic tea drinks, including "Uni Ice Tea (統一冰紅茶)" and "Uni Green Tea (統一綠茶)" kept on developing the market to attract young customers so as to establish them as evergreen brand names in the market.

## **DIVIDENDS**

Having accounted for the Group's overall performance, surplus, financial condition, capital expenditures, etc. in 2018, the board of directors (the "Board") will propose to declare a final cash dividend of RMB23.84 cents per share (amounting to a total dividend of RMB1,029.7 million) for the year ended 31 December 2018 at the forthcoming annual general meeting of the Company.

## **PROSPECT**

The economy of the People's Republic of China (the "PRC") is expected to grow steadily in 2019. The Group will proceed with focused operations and brand building, and develop new products to enhance customers' convenience and satisfaction, aiming at optimizing our operation results and striving to maximize Shareholders' interests.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
<b>Revenue</b>	3	<b>21,772,240</b>	20,821,949
Cost of goods sold	4	<u>(14,483,641)</u>	<u>(14,245,011)</u>
<b>Gross profit</b>		<b>7,288,599</b>	6,576,938
Other losses – net		(9,421)	(31,526)
Other income		382,406	383,777
Other expenses	4	(117,463)	(75,682)
Selling and marketing expenses	4	(5,097,691)	(4,679,213)
Administrative expenses	4	<u>(1,114,505)</u>	<u>(987,683)</u>
<b>Operating profit</b>		<b>1,331,925</b>	1,186,611
Finance income		169,617	113,484
Finance costs		<u>(46,142)</u>	<u>(51,774)</u>
Finance income – net	5	123,475	61,710
Share of profits of investments accounted for using the equity method		<u>84,374</u>	<u>28,503</u>
<b>Profit before income tax</b>		<b>1,539,774</b>	1,276,824
Income tax expense	6	<u>(510,070)</u>	<u>(398,608)</u>
<b>Profit for the year and attributable to equity holders of the Company</b>		<b><u>1,029,704</u></b>	<b><u>878,216</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)</b>			
– Basic and diluted	7	<b><u>23.84 cents</u></b>	<b><u>20.33 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Note</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>Profit for the year</b>		<b>1,029,704</b>	878,216
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		–	(3,435)
Impairment of available-for-sale financial assets		–	20,419
<i>Items that may not be reclassified to profit or loss</i>			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		<u>(3,472)</u>	<u>–</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(3,472)</u>	<u>16,984</u>
<b>Total comprehensive income for the year and attributable to equity holders of the Company</b>		<u><b>1,026,232</b></u>	<u><b>895,200</b></u>

# CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)	1 January 2017 <i>RMB'000</i> (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Land use rights		1,967,815	2,103,701	2,221,526
Property, plant and equipment		9,906,103	10,504,391	11,097,233
Investment properties		335,929	353,123	365,384
Intangible assets		15,391	18,959	29,645
Investments accounted for using the equity method		747,837	719,716	730,474
Available-for-sale financial assets		–	222,093	225,528
Financial assets at fair value through other comprehensive income		218,621	–	–
Deferred income tax assets		328,684	286,972	349,727
Other receivables – non-current portion		11,912	7,117	11,280
Long-term time deposits		550,000	–	–
		<u>14,082,292</u>	<u>14,216,072</u>	<u>15,030,797</u>
<b>Current assets</b>				
Inventories		1,459,019	1,159,373	1,214,527
Trade receivables	9	530,062	562,952	542,934
Prepayments, deposits and other receivables		1,002,819	1,255,424	1,453,968
Current income tax recoverable		31,888	–	–
Financial assets at fair value through profit and loss		–	60,000	–
Cash and bank balances		4,626,478	2,782,731	2,463,201
		<u>7,650,266</u>	<u>5,820,480</u>	<u>5,674,630</u>
<b>Total assets</b>		<u><u>21,732,558</u></u>	<u><u>20,036,552</u></u>	<u><u>20,705,427</u></u>

		2018	2017	1 January
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)	(Restated)
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital		<b>39,764</b>	39,764	39,764
Share premium account		<b>4,829,899</b>	4,829,899	4,829,899
Other reserves		<b>2,506,851</b>	2,384,476	2,236,765
Retained earnings		<b>5,845,793</b>	5,561,338	4,933,683
<b>Total equity</b>		<b><u>13,222,307</u></b>	<u>12,815,477</u>	<u>12,040,111</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax liability		<b>183,094</b>	174,175	191,802
Borrowings		–	500,000	500,000
Other payables – non-current portion		<b>237,655</b>	251,319	430,879
		<b><u>420,749</u></b>	<u>925,494</u>	<u>1,122,681</u>
<b>Current liabilities</b>				
Trade payables	10	<b>1,554,219</b>	1,396,000	1,138,154
Other payables and accruals		<b>2,753,153</b>	2,656,520	2,469,978
Contract liabilities		<b>1,698,986</b>	1,369,209	1,574,355
Borrowings		<b>1,987,726</b>	834,768	2,100,169
Current income tax liabilities		<b>95,418</b>	39,084	259,979
		<b><u>8,089,502</u></b>	<u>6,295,581</u>	<u>7,542,635</u>
<b>Total liabilities</b>		<b><u>8,510,251</u></b>	<u>7,221,075</u>	<u>8,665,316</u>
<b>Total equity and liabilities</b>		<b><u>21,732,558</u></b>	<u>20,036,552</u>	<u>20,705,427</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## **1 General information**

Uni-President China Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on 4 July 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “Group”) are principally engaged in the manufacturing and sale of beverages and instant noodles in the People’s Republic of China (the “PRC”) (the “PRC Beverages and Instant Noodles Businesses”).

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 December 2007 (the “Listing”).

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

## **2 Summary of significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRS”). They have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

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

### *2.1.1 Changes in accounting policies and disclosures*

(a) New and amended standards adopted by the Group

The following amendments to standards relevant to the Group are mandatory adopted for the first time for the financial year beginning on or after 1 January 2018:

- HKFRS 9 “Financial Instruments”
- HKFRS 15 “Revenue from Contracts with Customers”
- Annual Improvements 2014-2016 cycle
- Amendments to HKAS 40 “Transfers to Investment Property”
- Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

The following amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2018 and not relevant to the Group’s operations (although they may affect the accounting for future transactions and events):

- Amendments to HKFRS 2 “Classification and Measurement of Share-based Payment Transactions”
- Amendments to HKFRS 4 “Insurance Contracts”

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16	Leases	1 January 2019 (i)
(HK)Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements 2015-2017 cycle		1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB66,550,000. Of these commitments, approximately RMB8,952,000 relate to short-term leases which will be recognised on a straight-line basis as expense in the income statement.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB57 million on 1 January 2019, lease liabilities of RMB53 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that net profit after tax will decrease by approximately RMB563,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RMB1,724,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

#### Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## **2.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

### *(a) Impact on the financial statements*

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group has adopted HKFRS 15 using the full retrospective approach and has restated comparatives for the 2017 financial year.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

<b>Balance sheet (extract)</b>	<b>31 December</b>	<b>31 December</b>			<b>1 January</b>
	<b>2017 As originally presented</b>	<b>HKFRS 15</b>	<b>2017 Restated</b>	<b>HKFRS 9</b>	<b>2018 Restated</b>
Available-for-sale financial assets (“AFS”)	222,093	–	222,093	(222,093)	–
Financial assets at fair value through other comprehensive income (“FVOCI”)	–	–	–	222,093	222,093
Other payables and accruals	4,025,729	(1,369,209)	2,656,520	–	2,656,520
Contract liabilities	–	1,369,209	1,369,209	–	1,369,209
Other reserves	2,384,476	–	2,384,476	(33,345)	2,351,131
Retained earnings	5,561,338	–	5,561,338	33,345	5,594,683

<b>Statement of profit or loss and other comprehensive income (extract) – 2017</b>	<b>As originally presented</b>	<b>HKFRS 15</b>	<b>Restated</b>
Revenue	21,296,534	(474,585)	20,821,949
Selling and marketing expenses	5,153,798	(474,585)	4,679,213

(b) *HKFRS 9 Financial Instruments*

(i) Equity investments previously classified as AFS

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with fair values of RMB222,093,000 were reclassified from AFS to financial assets at FVOCI and net impairment loss of RMB33,345,000 was reclassified from retained earnings to fair value reserve on 1 January 2018.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

## Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

<b>Financial assets – 1 January 2018</b>	<b>AFS</b>	<b>FVOCI</b>
<b>Closing balance 31 December 2017 – HKAS 39</b>	222,093	–
Reclassify non-trading equities from AFS to FVOCI	<u>(222,093)</u>	<u>222,093</u>
<b>Opening balance 1 January 2018 – HKFRS 9</b>	<u><u>–</u></u>	<u><u>222,093</u></u>

The impact of these changes on the Group's equity is as follows:

	<b>Effect on fair value reserves</b>	<b>Effect on retained earnings</b>
<b>Opening balance 1 January 2018 – HKAS 39</b>	(8,430)	5,561,338
Reclassify non-trading equities from AFS to FVOCI	<u>(33,345)</u>	<u>33,345</u>
<b>Opening balance 1 January 2018 – HKFRS 9</b>	<u><u>(41,775)</u></u>	<u><u>5,594,683</u></u>

### (ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods; and
- other financial assets at amortised cost.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

#### Trade receivables

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at 1 January 2018 did not have material change after reassessment.

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from related parties and other receivables, which are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, and therefore the impairment provision is determined as 12 months expected credit losses. The loss allowance as at 1 January 2018 did not have material change after reassessment.

(c) *HKFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	<b>HKAS 18 carrying amount 31 December 2017</b>	<b>Reclassification</b>	<b>HKFRS 15 carrying amount 1 January 2018</b>
Other payables and accruals	4,025,729	(1,369,209)	2,656,520
Contract liabilities	–	1,369,209	1,369,209
	<u>4,025,729</u>	<u>(1,369,209)</u>	<u>2,656,520</u>
	<b>HKAS 18 carrying amount 31 December 2016</b>	<b>Reclassification</b>	<b>HKFRS 15 carrying amount 1 January 2017</b>
Other payables and accruals	4,044,333	(1,574,355)	2,469,978
Contract liabilities	–	1,574,355	1,574,355
	<u>4,044,333</u>	<u>(1,574,355)</u>	<u>2,469,978</u>
	<b>Year ended 31 December 2017</b>		
	<b>HKAS 18 amount</b>	<b>Reclassification</b>	<b>HKFRS 15 amount</b>
Revenue	21,296,534	(474,585)	20,821,949
Selling and marketing expenses	5,153,798	(474,585)	4,679,213
	<u>21,296,534</u>	<u>(474,585)</u>	<u>20,821,949</u>

There was no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017.

(i) Accounting for refunds

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

(ii) Accounting for customer loyalty programme

The Group does not introduce any customer loyalty programme which is likely to be affected by the HKFRS 15.

(iii) Accounting for payment to customers

The application of HKFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. As a consequence, revenue and selling and marketing expenses for 2017 decreased by RMB474,585,000. For 2018, revenue and selling and marketing expenses decreased by RMB500,855,000.

(iv) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15.

- Contract liabilities in relation to advance receipts from customers were previously included in other payables and accruals (RMB1,369,209,000 as at 31 December 2017, RMB1,574,355,000 as at 1 January 2017).

### 3 Revenue and segment information

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

The executive directors consider the business from a product perspective as over 90% of the Group's sales and business activities are conducted in the PRC. From a product perspective, management assesses the performance of beverages, instant noodles and others. The executive directors assess the performance of operating segments based on segment profit or loss. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

The majority of the Group's sales are through distributors and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

#### (a) Segment information

The segment information for the year ended 31 December 2018 and 2017 is as follows:

	2018				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
<b>Segment results</b>					
Revenue	<u>12,619,416</u>	<u>8,425,149</u>	<u>727,675</u>	<u>-</u>	<u>21,772,240</u>
Timing of revenue recognition					
At a point in time	12,619,416	8,425,149	556,720	-	21,601,285
Over time	-	-	170,955	-	170,955
	<u>12,619,416</u>	<u>8,425,149</u>	<u>727,675</u>	<u>-</u>	<u>21,772,240</u>
Segment profit/(loss)	1,285,022	460,927	26,075	(440,099)	1,331,925
Finance income – net	-	-	-	123,475	123,475
Share of profit of investments accounted for using the equity method	32,133	-	-	52,241	84,374
Profit before income tax					1,539,774
Income tax expense					<u>(510,070)</u>
Profit for the year					<u>1,029,704</u>
<b>Other segment items included in the income statement</b>					
Depreciation and amortisation	<u>960,298</u>	<u>221,898</u>	<u>70,638</u>	<u>115,352</u>	<u>1,368,186</u>
<b>Segment assets and liabilities</b>					
Assets	10,447,079	3,157,950	709,294	6,670,398	20,984,721
Investments accounted for using the equity method	551,143	-	-	196,694	747,837
Total assets	10,998,222	3,157,950	709,294	6,867,092	<u>21,732,558</u>
Liabilities	3,498,190	2,448,781	360,300	2,202,980	8,510,251
Total liabilities					<u>8,510,251</u>
Addition to non-current assets	<u>627,330</u>	<u>277,112</u>	<u>41,387</u>	<u>39,936</u>	<u>985,765</u>

	2017				
	Beverages	Instant	Others	Unallocated	Group
	RMB'000	noodles	RMB'000	RMB'000	RMB'000
		RMB'000			
			RMB'000		RMB'000
<b>Segment results</b>					
Revenue (restated)	<u>12,179,014</u>	<u>7,974,498</u>	<u>668,437</u>	<u>–</u>	<u>20,821,949</u>
Timing of revenue recognition					
At a point in time	12,179,014	7,974,498	501,416	–	20,654,928
Over time	–	–	167,021	–	167,021
	<u>12,179,014</u>	<u>7,974,498</u>	<u>668,437</u>	<u>–</u>	<u>20,821,949</u>
Segment profit/(loss) (restated)	1,015,245	411,815	49,210	(289,659)	1,186,611
Finance income – net	–	–	–	61,710	61,710
Share of profit/(loss) of investments accounted for using the equity method	<u>18,971</u>	<u>–</u>	<u>–</u>	<u>9,532</u>	<u>28,503</u>
Profit before income tax					1,276,824
Income tax expense					<u>(398,608)</u>
Profit for the year					<u>878,216</u>
<b>Other segment items included in the income statement</b>					
Depreciation and amortisation	<u>966,893</u>	<u>265,738</u>	<u>70,424</u>	<u>98,450</u>	<u>1,401,505</u>
<b>Segment assets and liabilities</b>					
Assets	10,263,188	3,665,027	630,157	4,758,464	19,316,836
Investments accounted for using the equity method	575,265	–	–	144,451	<u>719,716</u>
Total assets	10,838,453	3,665,027	630,157	4,902,915	<u>20,036,552</u>
Liabilities	3,378,047	1,717,052	573,274	1,552,702	<u>7,221,075</u>
Total liabilities					<u>7,221,075</u>
<b>Addition to non-current assets</b>	<u>623,483</u>	<u>114,872</u>	<u>624</u>	<u>11,779</u>	<u>750,758</u>

Assets grouped under unallocated category consisted primarily of deferred income tax assets, FVOCI (2017: AFS), financial assets at fair value through profit and loss, cash and banks, and investment properties and related land use rights.

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

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



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

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
The total of non-current assets other than financial instruments and deferred income tax assets		
– PRC	<b>12,942,400</b>	13,636,185
– Overseas countries	<b>30,675</b>	63,705
Financial instruments	<b>780,533</b>	229,210
Deferred income tax assets	<b>328,684</b>	286,972
	<b>14,082,292</b>	14,216,072

**(b) Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	<b>31 December</b> <b>2018</b> <b>RMB'000</b>	31 December 2017 <i>RMB'000</i>	1 January 2017 <i>RMB'000</i>
Contract liabilities – Beverages	<b>1,020,291</b>	801,423	965,047
Contract liabilities – Instant noodles	<b>605,065</b>	434,412	478,379
Contract liabilities – Others	<b>73,630</b>	133,374	130,929
Total contract liabilities	<b>1,698,986</b>	1,369,209	1,574,355

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior year.

	<b>31 December</b> <b>2018</b> <b>RMB'000</b>	31 December 2017 <i>RMB'000</i> <i>(Restated)</i>
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Beverages	<b>801,423</b>	965,047
Instant noodles	<b>434,412</b>	478,379
Others	<b>133,374</b>	130,929
	<b>1,369,209</b>	1,574,355

#### 4 Expenses by nature

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Restated)
Raw materials, packaging materials, consumables and purchased commodity used	12,652,310	12,118,282
Changes in inventories of finished goods	(173,273)	96,344
Manufacturing outsourcing expenses	46,629	43,087
Promotion and advertising expenses	1,629,000	1,323,559
Employee benefit expenses, including directors' emoluments	3,217,445	3,025,180
Transportation expenses	855,931	833,989
Amortisation of land use rights	54,014	57,206
Depreciation of property, plant and equipment	1,285,837	1,314,559
Depreciation of investment properties	19,941	18,592
Amortisation of intangible assets	8,394	11,148
Operating lease in respect of buildings	128,206	137,017
City construction tax, property tax and other tax surcharges	266,856	273,722
Provision/(reversal) of provision of inventories to net realisable value	9,260	(2,825)
(Reversal)/provision for impairment of trade receivables ( <i>Note 9</i> )	(1,702)	6,604
Auditors' remunerations		
– Audit services	7,020	7,269
Others	807,432	723,856
Total	<b>20,813,300</b>	<b>19,987,589</b>

**5 Finance income – net**

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Finance income		
– Interest income on cash and banks	<b>169,273</b>	113,484
– Net foreign exchange gains	<b>344</b>	–
	<b>169,617</b>	113,484
Finance cost		
– Interest expenses on borrowings	<b>(57,839)</b>	(61,038)
– Net foreign exchange losses	–	(5,857)
– <i>Less:</i> amounts capitalized on qualifying assets	<b>11,697</b>	15,121
	<b>(46,142)</b>	(51,774)
Finance income – net	<b>123,475</b>	61,710

**6 Income tax expense**

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Current income tax		
– Current income tax on profit for the year	<b>480,363</b>	319,067
Deferred income tax	<b>(32,793)</b>	45,128
Withholding tax on dividends from a PRC subsidiary	<b>62,500</b>	34,413
	<b>510,070</b>	398,608

**(a) PRC corporate income tax (“CIT”)**

Subsidiaries established in the PRC are subject to CIT at rate of 25% (2017: 25%) during the year.

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

(b) **Other income tax**

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

Subsidiaries incorporated in Taiwan and Hong Kong are subject to income tax at the prevailing rates of 17% and 16.5% (2017: 17% and 16.5%), respectively.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2017: 25%) applicable to profits of the consolidated entities as follows:

	<b>2018</b> <b>RMB'000</b>	2017 <b>RMB'000</b>
Profit before income tax	<b>1,539,774</b>	1,276,824
Tax calculated at the statutory tax rate in the PRC	<b>384,944</b>	319,206
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	<b>887</b>	(416)
Tax losses and temporary differences for which no deferred income tax asset was recognized	<b>62,137</b>	46,563
Income not subject to tax	<b>(21,094)</b>	(7,126)
Expenses not deductible for tax purpose	<b>20,696</b>	12,142
Additional deduction of research and development expenses	<b>–</b>	(6,174)
Withholding tax on dividends from a PRC subsidiary	<b>62,500</b>	34,413
Income tax expense	<b>510,070</b>	398,608

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

	<b>2018</b>		<b>2017</b>			
	<b>Before tax</b>	<b>Tax charge</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax charge</b>	<b>After tax</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Other comprehensive income:						
– Net fair value losses from FVOCI	(3,473)	–	(3,473)	–	–	–
– Impairment of AFS	–	–	–	20,419	–	20,419
– Net fair value losses from AFS	–	–	–	(3,435)	–	(3,435)
Deferred income tax		<b>–</b>			<b>–</b>	

## 7 Earnings per share

### *Basic*

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

	2018	2017
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	1,029,704	878,216
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	4,319,334	4,319,334
Basic earnings per share ( <i>RMB per share</i> )	<u>23.84 cents</u>	<u>20.33 cents</u>

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

## 8 Dividends

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB23.84 cents (2017: RMB14.23 cents) per ordinary share	<u>1,029,704</u>	<u>614,751</u>

The dividends paid by the Company in 2018 and 2017 for the years ended 31 December 2017 and 2016 amounted to RMB619,402,000 and RMB119,834,000, respectively.

A dividend in respect of the year ended 31 December 2018 of RMB23.84 cents per share, amounting to a total dividend of RMB1,029,704,000, is to be proposed at the annual general meeting to be held on 17 May 2019. These financial statements do not reflect this dividend payable.

## 9 Trade receivables

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– from third parties	537,528	575,244
– from related parties	<u>6,183</u>	<u>3,186</u>
	<u>543,711</u>	<u>578,430</u>
<i>Less: provision for impairment</i>	<u>(13,649)</u>	<u>(15,478)</u>
Trade receivables, net	<u>530,062</u>	<u>562,952</u>

The credit terms granted to customers by the Group are usually 60 to 90 days (2017: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables, gross		
– Within 90 days	<b>504,102</b>	532,329
– 91 to 180 days	<b>35,402</b>	41,368
– 181 to 365 days	<b>2,337</b>	3,366
– Over one year	<b>1,870</b>	1,367
	<u>543,711</u>	<u>578,430</u>
	<b><u>543,711</u></b>	<b><u>578,430</u></b>

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

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables, gross		
– RMB	<b>538,916</b>	575,778
– USD	<b>1,564</b>	218
– HKD	<b>3,231</b>	2,434
	<u>543,711</u>	<u>578,430</u>
	<b><u>543,711</u></b>	<b><u>578,430</u></b>

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
31 December – calculated under HKAS 39	<b>15,478</b>	10,086
Amounts restated through opening retained earnings	<u>–</u>	<u>–</u>
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	<b>15,478</b>	10,086
(Decrease)/increase in loss allowance recognised in the income statement during the year	<b>(1,702)</b>	6,604
Receivables written off during the year as uncollectible	<b>(127)</b>	(1,212)
At 31 December	<b><u>13,649</u></b>	<b><u>15,478</u></b>

## 10 Trade payables

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables		
– to third parties	1,193,954	1,127,978
– to related parties	360,265	268,022
	<u>1,554,219</u>	<u>1,396,000</u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables		
– Within 30 days	1,242,747	1,032,357
– 31-90 days	238,338	293,730
– 91-180 days	20,138	35,636
– 181 to 365 days	21,640	22,133
– Over 1 year	31,356	12,144
	<u>1,554,219</u>	<u>1,396,000</u>

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

## MANAGEMENT DISCUSSION & ANALYSIS

### ECONOMIC ENVIRONMENT

The GDP of the PRC increased by 6.6% in 2018 as compared to last year, which was lower than the growth rate of the previous year by 0.2 percentage point. The year on year growth of the first three quarters of 2018 were 6.8%, 6.7% and 6.5% respectively, while the rate of 6.4% recorded for the fourth quarter of 2018 was the lowest. Though the quarterly growth rate was trending down with the first quarter delivering the highest one and the fourth recording the lowest, it was still about 6.5% which was the forecasted annual economic growth target of the PRC government. The national economy continued to develop steadily, and the industry also experienced structural adjustment and transformation, thus enabling the upgrading of the sector as well as the optimization of development quality.

In 2018, the domestic consumption in the PRC maintained an upward trend. However, disputes on international trade arising from protectionism were yet to be settled through negotiations, thereby clouding the general economic landscape with uncertainties and financial risks. Business operations were inevitably subject to negative impact of these concerns.

In respect of the food and beverages industry, given the soaring prices of raw materials seen in 2017, the industry took this opportunity to adjust the price quoted in sales channels. The market started to slow down in the third quarter of 2018 when the market demand diminished, thus lowering the growth rate of our revenue. In recent years, it has been more difficult to predict and understand the preference and taste of customers. The instant noodles market even went separate ways in 2018, which was characterised by the trend towards low-end and high-end products. Customer groups were further differentiated accordingly. With regard to beverages, classic products became the top pick of customers again. In order to capitalize on new business opportunities, industry players made every endeavour to introduce new products and promote new categories to gain recognition from customers. Besides, they are also well prepared for the ever changing trend by making contingency plans in place. The Group proceeded with focused operations and cherished its brand value, and also attached top priority to the enhancement of customer satisfaction. On the other hand, the Group continued to seek for innovation and improvement, and fulfill the needs of customers by developing popular products desired by customers.

### BUSINESS REVIEW

In 2018, the Group proceeded with focused operations and brand building and committed to the management of product freshness so as to uphold the principle of “Healthy Practice (健康操作)” and stable operation. The Group recorded a revenue of RMB21,772.2 million in 2018, representing an increase of 4.6% as compared with the corresponding period last year. Information about the Group’s core businesses are as follows:



## **Food Business**

The Group continues to research and innovate its instant noodles. With the advancement of the times and changes in consumer lifestyles, we develop self-heating foods, frozen fresh noodles and snacks, so that consumers can enjoy convenience and delicacy in various occasions.

### ***Instant Noodles Business***

Instant noodles business of the Group continued to focus on operation and improvement of product mix. Revenue in 2018 was RMB8,425.1 million, representing an increase of 5.7% over the same period of last year. Our mid and high end brand “Soup Daren (湯達人)” continued to be well-received by the market, becoming the growth engine of our instant noodles business and driving the increase of profitability. Brands with various appeals and prices were targeted to various consumers, enabling precise investment of marketing resources while building brand values to meet consumers’ needs.

Our key product “Uni-President Lao Tan Pickled Cabbage and Beef Flavoured Noodles (統一老壇酸菜牛肉麵)” continued to be the leader of the product category. With “Establishment for 15 years (開創十五周年)” as marketing theme in 2018, the “Establishment for 15 years, Scan QR Code & Win Gold (開創十五周年, 掃碼贏金喜)” campaign was launched and continued to strengthen the brand value and market leadership. Extensive promotion was achieved through the web show “Scream Screen (大片起來嗨)” and riding on the 2018 World Cup craze, our video “Sour Moments of Goalkeepers (門將酸爽時刻)” created a huge buzz among football fans while our sponsored short video “E Di Shen (俄滴神)”, which was close to the focus of attention of customers, gained exposure through the web media. With the young generation drawn to try out “Uni-President Lao Tan Pickled Cabbage and Beef Flavoured Noodles (統一老壇酸菜牛肉麵)”, our customers base was broadened.

Since the launch of “Vine Pepper Beef Noodles (藤椒牛肉麵)” by our “Teng Jiao (藤嬌)” brand focusing on innovating and developing the flavor of “vine pepper (藤椒)”, the noodles brought electrifying taste stimulation to consumers with its fresh aroma and unique numbing taste, and has been well-received by the market. We focused on key cities and advanced gradually in 2018. In the first half of the year, we sponsored the Tenth Session of National College Students Advertising Art Competition, inspiring the creativity of college students and quickly increasing brand awareness among them. In the second half of the year, we collaborated with “Love and Producer (戀與製作人)”, the popular web game among young women. Through packaging and voice interaction etc., the “Love Teng Jiao with electric shock (戀與藤嬌, 碼上來電)” campaign actively embraced the young generation, further improving brand reputation and awareness.

The “Soup Daren (湯達人)” continued to maintain double-digit growth in 2018, and the core spirit of the brand adhered to bringing the experience of “Bottoms-up for the Genki Soup (元氣高湯, 一碗見底)” to the consumers. The “Genki Music Festival (元氣音樂節)” was held in major cities in 2018, in which music was used to awaken the original spirit of the “Genki (元氣)”. The festival was well-received, igniting viral response over the Internet and strengthening our core brand value. In the fourth quarter of 2018, Mr. Turbo Liu (劉昊然), actor of the new generation, acted as the spokesperson of “Soup Daren (湯達人)”. His “focused, youth, sunshine and healthy (專注、青春、陽光、元氣)” image perfectly match with the qualities of “Soup Daren”. The heavy exposure over quality traditional media and emerging media platforms garnered positive response, raising the brand awareness to the next level.

In order to bring street delicacy of urban local flavor to the consumers, “Sour and spicy pig intestine noodles (酸辣肥腸風味粉麵)” was launched by “Urban Bistro (都會小館)” in 2018. With meticulous research and development, the taste of pig intestine is restored to the utmost. The sour and strong soup is served with the double texture of bean vermicelli and noodles. Since the trial sale in June, its special flavor and texture arouse hot discussion and widespread positive comments on the internet, leading to it becoming a hot item on e-commerce channels.

As the representative of the high-end lifestyle brand of the Group, “Imperial Big Meal (滿漢大餐)” regards inheriting Chinese cuisine as its mission. Its exquisite soup is served with fresh meat and original flavorings sealed in a package, striving to be the best value for money and most uncompromising noodles for the customers. Focusing on “Taiwan Braised Beef and Beef Tendon Noodles (台式半筋半肉牛肉麵)” in 2018, the marketing strategy of “Hitting the market with beef (用肉打江山)” was adopted to engage with customers. We will continue to develop new flavors to satisfy consumers’ pursuit of raw ingredients and will expand sales channels as well as open up markets of premium noodles.

### ***Other Food***

The Group entered the market of self-heating food in 2018, enabling customers to enjoy hot food anytime and anywhere they want. After the debut of the classic spicy flavor of “Chongqing Old Hotpot (重慶老火鍋)” of “Lazy Time (煮時光)”, the new flavor of “Tom Yum (泰式冬陰功)” was launched. With refreshing lemon and the bitter spiciness of facing heaven pepper as its base, added with freshly squeezed low-temperature concentrated coconut milk and a rich selection of classic ingredients, it brings consumers with the spicy and sour flavor of the Thai soup. Our innovative self-heating “Premium Meal (開小灶)” takes only 15 minutes and cold water without the use of fire and electricity to produce as real “wok hei (鍋氣)” and restore it to the taste of hot meal cooked in the kitchen. It has refreshed consumers’ knowledge of self-heating meals since its launch and will continue to market with the theme of “Premium Meal on the go (出門在外, 開小灶)”, focusing on in-depth engagement with consumers on the go.

“Q-Fresh (Q小鮮)” continues to target at the market of frozen fresh noodles, bringing a more convenient new choice for the home setting. “Little Raccoon Pea Crisp (小浣熊豌豆脆)” entered the market of snacks with a unique cartoon image as its brand features. Through low-temperature non-frying extrusion production technology, pea is made crunchy with its rich aroma preserved, bringing consumers the “cutie-crunchy” leisure shack and feeling relaxed, refreshed and regaled. Its distribution was first limited to specific sale outlets and would gradually expand as we gain experience.

We will continue to focus on innovation to advance with the times and consumers’ taste as well as to enrich our products to meet consumers’ expectation of better quality of life.

## **Beverages Business**

Beverages business of the Group has always adhered to the strategy of focusing on operation and brand building. We continue to keep our products fresh and strive to bring customers a better taste experience in 2018. Due to economic growth and the change in lifestyle, our beverages business was developed in the direction of diversification and refinement. As a result, beverages kept refrigerated and fresh from production to delivery were launched, including iced tea, fruit juice and “Honest Bean (誠實豆)” soy milk and they were well-received by the market since launching in 2018. We have also launched our premium Bottle Can products in early 2019 after years of research and will spare no efforts to meet the demands of customers as well as innovate and move forward with the times.

The annual income of our beverages business amounted to RMB12,619.4 million, representing an year-on-year growth of 3.6% in 2018. The business performance of our major beverages are as follows:

### ***Tea Drinks***

Revenue of tea drinks in 2018 amounted to RMB5,943.7 million, representing a growth of 2.0% compared with the same period last year. The increase was mainly driven by the sales of “Uni Ice Tea (統一冰紅茶)” and “Uni Green Tea (統一綠茶)”.

Through the brand attitude of “Stay Young for Ever or Fight for it (青春無極限，不服就去戰)” in 2018, “Uni Ice Tea (統一冰紅茶)” brightened the unlimited and passionate spirit of youth. In terms of communication, we continued to stay close to current trends and youth culture such as street dance battle and gaming challenge. Through media communication, E-sports challenge, battle by scanning bottle body using augmented reality technology (Augmented Reality) and embedded props of e-sports etc., the youth are drawn to engage and show their unlimited and passionate spirit. Combining scenes of youth enjoying our drinks and cross-industry cooperation with web famous snacks brands, the joint promotion using physical and virtual media drawn more attention and purchase.

“Uni Green Tea (統一綠茶)” as a brand to promote “Close to Nature” continued the green-themed activities of “Close to Nature, Plant Trees with Real Actions (親近自然 行動才算樹)” in 2018. Media platforms which closely matched with young consumers was chosen for in-depth cooperation to launch the tree-planting activity in a down-to-earth way. Combining a youth approach of celebrity spokesperson and live online shopping, the green and healthy approach to life of the brand was highlighted.

“Classmate Xiaoming (小茗同學)” continued the efforts of pushing results of the brand and brand loyalty in 2018. With the theme of “Scattering Dog Food in the Dog Year (狗年撒狗糧)” in the year of the Dog, the humorous culture of “Classmate Xiaoming (小茗同學)” was innovatively launched. Joint promotion with the web variety show “Choose Big Star (翻牌大明星)” in the sales high season spread the noise for the brand through fans economy. In addition, we continued to support football education in secondary schools with the “Rising Star-Happy Football & Healthy Growth (茗日之星快樂足球健康成長)” campus carnivals as our continued efforts to support sports development for the youth in China and build brand value.

Innovatively applying the cold extraction of tea leaves, “Refreshing Tea (茶•瞬鮮)” was targeted at the high-end market of fresh and healthy refrigerated tea for the health and quality-conscious consumers. Since its launch in May 2018, operation was focused on five key cities and was well-received with positive feedback. With the phenomenon of “Youth with multiple careers (斜杠青年)” as a starting point, we encourage our young customers to actively and boldly try the multiple lifestyle by communicating the values of “Bringing something fresh to life (給生活來點新鮮的)” of the brand in August 2018.

The annual theme of “Stay Young for Ever or Fight for it (青春無極限，不服就去戰)” of our “Uni Ice Tea (統一冰紅茶)” continued in 2019. Multiple-channels communication was carried out with the popular games “King Pro League (KPL) (王者榮耀職業聯賽)”. The green action of “Experience the Nature (親近自然)” of “Uni Green Tea (統一綠茶)” continued, creating interesting and valuable contents to communicate with customers. “Classmate Xiaoming (小茗同學)” has cooperated with the British Museum to develop a series of cultural and creative crossover products and related auxiliary products for “Classmate Xiaoming (小茗同學)”, which has created creative and interesting contents for the product, as well as new attractions for the brand. We will continue to work on brand building and product competitiveness of “Refreshing Tea (茶•瞬鮮)”, providing customers with fresh and quality refrigerated drinks. In response to changes in consumer trends, we will launch new tea drinks to meet the needs of consumers for various fields and consumption settings.

### ***Juice Drinks***

The juice drinks business of the Group recorded a revenue of RMB1,723.4 million in 2018. In line with the freshness management and continuous optimization of product mix, we focused on the three main products which are “Haizhiyan (海之言)”, “More Orange Juice (鮮橙多)” and “Crystal Sugar Pear Drink (冰糖雪梨)”, increased the proportion of small size package, improved product mix and effectively increased gross profit margin. In view of the increase in consumption power and demand for health, refrigerated juice drinks “Fruit Trio (果重奏)” and 100% vegetables juice “Vitality Awakening (元氣覺醒)” were developed, further improving strategic layout of the brand.

Focusing on the new generation of consumers, “Uni More Orange Juice (統一鮮橙多)” continued to rejuvenate the brand and use poetry as a medium to convey the brand proposition of “Beauty” to consumers. The “Beauty Poetry Society (漂亮詩社)” campaign jointly launched with network platforms popular among the youth, enhanced interaction with consumers while the “Love singing, More poems, More beautiful (少年愛吟唱，多詩多漂亮)” series of activities drew the brand closer to young consumers. At the same time, our product specifications were extended to meet the needs in various occasions, and 315ml of canned “More Orange Juice” was launched to open the market of catering and banquet as well as gift box.

Focused on the core appeal of “Pear Juice Moistures your Mouth and Heart (真梨真汁潤)”, “Crystal Sugar Pear Drink (統一冰糖雪梨)” delivered an authentic juicy drinks made of crystal sugar and pear to the customers. With the new package can 245ml size, we actively targeted to expand into the hot drinks market and continued to promote the brand image of the moisturizing and hearts-warming pear drink with rich texture.

“Haizhiyan (海之言)”, with its focus on lemon flavor, continued the “Take a Refreshing Walk to the Sea (清爽走去大海)” campaign and hosted urban sports events for several consecutive years, attracting many contestants. Sharing on online media by netizens was leveraged to maximize promotion effect, so that the experience of “Instant Refreshing (瞬間清爽)” of Haizhiyan entered the hearts of the customers and brand assets are built.

Juice businesses completed the “1+1” strategic planning of the refrigerated category in 2018, namely “innovatively creating a sub-category” and “entering the healthy food category” to meet the trend of consumption demand for personality, style and health. “Fruit Trio” juice drinks was launched in May 2018, creating the wonderful experience of the triple taste of juice, pulp and fibre jelly (果汁、果肉、纖玉凍) and was widely approved by the market. Strategic cooperation with the headphone brand FIIL of the famous musician Wang Feng (汪峰) strengthened the music attributes and sensibilities of the brand. The 100% vegetable juice “Vitality Awakening (元氣覺醒)” in a cup was launched in October 2018, being the first in the beverages category. With the appeal of “delicious”, “healthy” and “fresh”, the drink offers an integrated solution for the convenience of contemporary urban people to supplement nutrition of fruits and vegetables with delicious taste.

In 2019, our juice business will adhere to the business strategy of value marketing, continue brand building and product improvement, enter consumers’ lives on different temperature levels and drinking occasions, complement the communication and interaction methods that are favoured by our new generation of consumers, actively expand the market and advance on the road to healthy and quality growth in a steady pace.

## **General Beverages Business**

### *Milk Tea*

As a leader in the milk tea category, “Assam (阿薩姆)” Milk Tea of the Group adhered to freshness management of products and enhancement of consumers’ drinking experience. In 2018, our revenue increased by 13.6% compared with the same period last year and operated on the right track.

“Uni Assam Milk Tea (統一阿薩姆)” adhered to the core values of “Smooth and Good Mood (順滑好心情)” and continued to create different “Good Mood (好心情)” experiences for consumers by comprehensive interpretations of various scenarios of “Good Mood”, building brand awareness and favorability. In 2018, “Assam (阿薩姆)” and “Good Mood (好心情)” was softly embedded in voice browsing of Baidu map with the “Good Mood All the Way (一路好心情)” spokesperson Guo Caijie (郭采潔), expanding the brand to the scenario of enjoying the drink while travelling. In the “Non-stop Bumping Deliciousness with Happy Mood (美味撞不停, 多點好心情)” event, the novelty collision of different ingredients created more good mood experiences. Taking the “ACGN (Animation, Comics, Games, Novels) Dance (宅舞)” loved by the youth as starting point, to bring them good mood that exclusively for summer is created. Cooperated with Discovery, documentaries were taken as starting point to deliver our brand contents and values, offering immersive and interactive experience in a journey with technology and fun to the customers in “exploration of good mood (探索好心情)”.

With continued focus on the hot drinks season in 2018, “Assam Small Milk Tea (阿薩姆小奶茶)” satisfied the market demand for hot drinks in winter. In terms of product strength, with continued improvement and upgrade, the rich and luxury drink meet the growing demands of consumers. In terms of marketing, tied-in with iSharing of Taiwan created the image of “iSharing True Love (iSharing真愛暖暖)” in winter with the theme of “Milan”. “Uni Milk Tea (統一奶茶)” unveiled a new and rejuvenated packaging with the popular chocolate bear in 2018. Settings of start of school year, examination and graduation at school campus in key cities were integrated into marketing targeted at student customers.

In 2019, our milk tea business will continue to improve freshness management of products, with the communication focus on core brand appeals and building of brand assets. Through the cooperation with Discovery, “Uni Assam Milk Tea (統一阿薩姆)” continued to create “Exploration of Good Mood (探索好心情)” and deliver the brand value of “Smooth and Good Mood (順滑好心情)”. With “Mouthful of Malt (夠麥味)” and “GO MY WAY” as the main axis of communication of the year, “Uni Milk Tea (統一奶茶)” continued to shape the selling point of “Malt (麥)”. Through the young and personalized packaging of “Mouthful of Malt (夠麥味)” and the creative video for marketing, the smoothness of our milk tea, the bright, candid and fun spirit of youth as well as positive attitude to life and brand spirit were conveyed.

## *Aqua More*

The brand proposition of “Turning Boredom into Fun (趣你的乏味)”, i.e. turning water-drinking into fun, of “Aqua More (水趣多)” with the refreshing flavor of lactobacillus in fun packaging, continued in 2018. Leveraged on the famous lovely cartoon character of Tuzki, the brand image of “Not Boring but Interesting (不乏味, 有趣)” was created, bringing a brand new interesting experience to consumers. Targeted to parents and children in core cities, steady operation of business was achieved.

## *Others*

### *Coffee*

2018 was a competitive year for the coffee market, with increased investment in display stores and delivery services by “brew-as-order” industry players. For the instant coffee market, new products were launched, challenging new prices and testing new tastes. With competition fiercer than ever, it brought both opportunities and challenges to each coffee manufacturer.

Our “AHa Iced Coffee (雅哈冰咖啡)” continued the communication theme of “Chat Happily (愉快聊天)” and focusing on the development of Coffee business within selected key regions in 2018. Tied in with the hit web cartoon series “Drama Queen Dormitory (戲精宿舍)”, we initiated the event of “The more we chat, the better connection we build” as well as the integrated communication plan of “Warm Chat about Astrology (星座暖聊)” was launched during winter with campaign-wised popular celebrity “Uncle Tong Dao (同道大叔)” to join with our “AHa Happy Chatting Coffee Pop-up Store (雅哈愉快聊咖啡吧)” event, we successfully and effectively reached our core target audience.

### *Bottled Water*

With the growing demands of consumers and increased interest in drinking-water, the natural mineral water category continued to expand. We continued to focus on the high-end natural mineral water brand “ALKAQUA (愛誇)” in 2018, achieving an annual increase of 12.9% in revenue compared with same period of last year.

The brand proposition of “Colorful and outstanding natural mineral water (一瓶出色的天然礦泉水)” of “ALKAQUA (愛誇)”, launched in 2018, represents its outstanding external appearance and water quality. Mr. Wang Kai (王凱), the brand spokesperson, starred in the new stylish commercial which incorporated the unique product benefits of “water source from Changbai Mountain (長白山)” and “contents of  $H_2SiO_3$  exceeding 50mg/L (偏硅酸含量大於50 mg/L)”. At the same time, we joined hands with PANTONE, international expert in colors, to launch the colorful bottle of “ALKAQUA (愛誇)” with exclusive color names and stories. Our limited edition products jointly launched with fashion brand i.t became must-have items of fashion hipsters. We sponsored the hip activity “Electric Runs (熱波電跑)” in key markets and incorporated elements of colors, electronic dance music, sports and drinking water, calling consumers to “run with colors (潮著出色跑)” together. The Wang Kai Fans Meeting (王凱見面會) innovatively tried on the theme of art exhibition and collected outstanding works from consumers for display, gaining enthusiastic participation from consumers and further building the brand assets. In terms of products, the new 1.5 L family size was launched in 2018, expanding the occasions for enjoying the drink and catering the needs for cooking and tea and coffee brewing.

We will continue with the brand proposition of “Colorful and outstanding natural mineral water (一瓶出色的天然礦泉水)” of “ALKAQUA (愛誇)” in 2019 and further explore the needs of the “new generation” and “new middle class” consumer base. The rational appeal of “contents of H<sub>2</sub>SiO<sub>3</sub> exceeding 50 mg/L” and emotional resonance of “Born to be colorful and outstanding (天生出色)” of the product will be communicated in our commitment to provide consumers with better natural mineral water choices and a more “colorful and outstanding” consumer experience.

### *Soy Milk*

We launched the “Honest Bean (誠實豆)” soy milk products and entered the botanical protein market in June 2018. With the appeal of “nutrition with light burden (營養輕負擔)”, we created the settings for consuming the product as breakfast drink and gifts and first focused on key markets. In terms of marketing communication, focus on the “Breakfast (早餐)”. Building up nutrition breakfast tips with nutritionists, yoga masters, fitness instructors etc. created market awareness of “I am honest beans, nutrition with light burden (我是誠實豆, 營養輕負擔)”.

### *Bottle Can Drinks*

With the upgrading of quality of life and the growing concern for health, green living and the pursuit of taste, a new series of Bottle Can products was launched in January 2019 to explore the high-end beverages market. For our “Manya (縵雅)” specialty coffee, 100% Ethiopian fine coffee beans, Irgachefe, was selected, cold dripped and extracted in 12 hours with 0-5 °C water, completely preserving the unique natural fruity aroma of the coffee beans and resonating with consumers with “Manya Life Aesthetics”. For our “Chuan Qi (傳沏)” tea, for which famous national-level tea is selected and the modern and innovative technique of “cold extraction” is used to extract the mellow aroma of Melan (蜜蘭), delivering the concept of “traditional tea with a new life (古茗新生)”. For our “allègre” milk tea, limited quantities of black tea of Quinta de San Pedro Alejandrino with rosy aroma is selected and mixed with premium imported milk, delivering a silky and pure taste. With the communication theme of “Encounter allègre, Indulge true self (遇見allègre, 寵愛真我)”, we set a new standard of premium ready-to-drink milk tea.

## **RESEARCH AND DEVELOPMENT**

Our Research and Development (“R&D”) Centre strives to maintain its edge in innovative technologies and develop products loved by consumers. In 2018, we established the mechanism for reviewing new products proposals and inventory of new products ideas. We also optimized model for external testing, established core technology proposals and review mechanism. As of December 2018, our R&D Center had authorized patents of 59 items and 56 patents were in application. We continued to create barrier for our superior technologies and reinforce our intellectual property rights.



In 2018, we continued to innovate and revitalize our existing main products. Built on the core technology of our “Soup Daren (湯達人)”, we extend the product line to meet the needs of potential consumers and launch the new flavor of “fish soup with tofu (豆腐魚湯)”. The grease anti-oxidation technology of our “Assam (阿薩姆)” original milk tea was improved to enhance its flavor, delivering a smoother and better taste.

Our innovation in new products focuses on the enhancement of product value in 2018, breaking away from traditional food and beverages categories and traditional packaging. Efforts were devoted to new products and new areas of future consumption trends, with the following results:

Our self-heating “Premium Meal (開小灶)” offers a convenient and delicious option for consumers, from core raw materials used, “anti-scalding (防燙)” and “anti-flood (防洪堤)” design of its containers, to the space allocation of rice and dishes as well as the innovative uniform heating by “dual airway (鍋氣)”. By controlling the procedure, time, fragrance, craftsmanship and temperature, the essence of Chinese cuisine is genuinely restored with 12-15 minutes of self-heating. Three flavors have been launched in 2018, namely “stewed beef brisket with potato (土豆燉牛腩)”, “simmered pork with small mushroom (小香菇燒肉)” and “Kung Pao Chicken (宮保雞丁)”.

For our “Honest Bean (誠實豆)” soy milk, premium soybean from specific regions and soybean varieties are used, with attention being paid to conditions of soil, climate and water. Two soybean varieties that are most suitable for processing are selected after their natural growth of about 150 days. Ceramic fine grinding is used to fully extract nutrients in the soybeans while the unwanted flavor is removed, enhancing its richness and stability, with more natural flavor, smoothness and fragrance.

To cater the upgrading demands of consumers and changes in consuming patterns of the young generation, we developed the refrigerated cup series with the whole process from transportation and to sale being refrigerated. With a shelf life of only 21 days, freshness and flavor is preserved to the utmost. With “Refreshing Tea (茶·瞬鮮)”, “Lemon Green Tea (檸檬綠茶)” and “Green Tangerine Oolong Tea (青桔烏龍茶)” under the series, fresh fruit tea sold in street shops is used as prototypes. Cold extraction of tea leaves is innovatively applied, with the production process completed in 24 hours and the cup sealed under  $-18^{\circ}\text{C}$ . Fresh lemon juice and green tangerine is selected, with no preservatives added, bringing the experience of wonderful freshness and original flavor as the product philosophy of “Bringing something fresh to life”. For our “Fruit Trio (果重奏)”, “Peach Peach Fine Jade (桃桃纖玉)” and “Lemon Fine Jade (檸檬纖玉)” fruit beverages, selected cold fresh fruit juice is mixed with large pieces of soft pulp and chewy fibre jelly, delivering a cup of unique cold drink with three types of texture by fast chilling technique and bringing a wonderful and fun experience to taste bud. The secondary filling and rapid freezing process is applied for our “REMIX (愛混)” Pudding Milk Tea making puddings and milk tea well layered and intimately blended, enhancing drinking experience, to deliver a dessert-like drink with “distinct texture (有料)”.

In 2019, our R&D will continue from the perspective of consumers, integrating resources in multiple directions, adhering to innovation of value and the beverages category, establishing core technologies as well as optimization, upgrade and innovation of products, with the objective of enhancing their satisfaction.

## FOOD SAFETY

We uphold the philosophy of “Three Goods and One Fairness: Good Quality, Good Credit, Good Service and Fair Price (三好一公道：品質好、信用好、服務好、價格公道)” and offer safe, healthy and delicious food to consumers. To enhance the level of food safety management system, we have set up Food Safety Committee and Food Safety Centre to implement food safety assurance system, formulate food safety policy, improve assessment, alert and monitoring of food safety risks for guaranteeing food safety, undertake quality assurance system management of the Group, formulate and implement policy of product quality for guaranteeing product quality.

We continue to improve regulatory mechanism of supply chain of raw materials and focus on strengthening food safety management of the source of supply chain and safety monitoring of food products. We have implemented assessment of food safety qualifications of suppliers and field inspection of food safety of suppliers, established monitoring mechanism of food safety projects of raw materials to ensure the implementation of monitoring of food quality and safety starting from the source of supply chain and established mechanism of qualification review of production plants and field assessment. Food products will only be delivered after strict inspection and monitoring in all food safety aspects according to regulations so as to ensure safety and taste of our products.

We actively promote source management of suppliers. In addition to provision of training, we have introduced third party professional agencies to evaluate our suppliers, and assist them to establish their own scientific and effective food safety and quality management system. We have fully introduced Food Safety Protection Program covering the production and sale process starting from product design to ensure consumers are rest assured.

We pay close attention to various food safety incidents of other food manufacturers, timely carry out risks assessment, inspect raw materials and food products similar to the ones used in those incidents, improve food safety management system to guarantee food safety, actively participate in the formulation and revision of relevant national standards, compile and promulgate food regulations and food safety information home and abroad to enhance food safety awareness of the Group, promote the full implementation of food regulations and safety standards to safeguard consumers’ interests.

Our Food Safety Centre passed the annual China National Accreditation Service for Conformity Assessment (CNAS accreditation) since 2005 and 167 projects of the Group had been approved thus far. Meanwhile, with the co-operation of laboratories of each of our subsidiaries and external detection and testing institutions, the needs for detection and testing key food safety items are met, providing us with professional and authoritative detection and testing service and technical support to guarantee food safety. With our innovation in laboratory detection and testing system, three technical achievements were awarded with national patents.

As of 2018, 29 subsidiaries of the Group have passed the ISO9001 International Standard Quality Management System Certification, and 27 subsidiaries have been accredited with the ISO22000 International standard Food Safety Management system certification. These certifications and awards recognised our on-going improvement of food safety and quality assurance system and our capability of safeguarding food safety as well as our dedication to providing consumers with delicious, healthy and safe food.

## **PRODUCTION STRATEGIES**

The Group spared no effort in our operation, research and development, innovation, brand building and sales expansion, aiming to meet customer needs, develop and strengthen the corporation constantly and maximise the revenue. In order to focus the use of resources, maximize the benefits, the Group did not solely rely on its own production resources. It also outsourced its production to other professional beverages manufacturers (including external independent third parties and related party companies). A strategic alliance was formed under such long-term co-operation with the external manufacturers, enabling the Group to outsource production mode to adjust production capacity in addition to the basic production capacity, providing the Group with production flexibility. Thus, the Group was able to fully utilise its resources on core operation and optimise its efficiency.

## **FINANCIAL RESULTS**

For the year ended 31 December 2018 (the “Year”), the Group recorded a revenue of RMB21,772.2 million, representing an increase of 4.6% from RMB20,821.9 million (restated) for 2017. Revenue from the instant noodles business increased by 5.7%, and revenue from the beverages products business increased by 3.6%, standing at RMB8,425.1 million and RMB12,619.4 million respectively, accounting for 38.7% and 58.0% respectively of the Group’s total revenue. During the Year, gross profit of the Group increased by 10.8% from RMB6,576.9 million (restated) for the corresponding period last year to RMB7,288.6 million, while the gross profit margin increased by 1.9 percentage points from 31.6% for the corresponding period last year (restated) to 33.5%, which was mainly due to partial adjustment in price and continuous optimisation of product mix.

During the Year, the selling and marketing expenses increased to RMB5,097.7 million (2017: RMB4,679.2 million (restated)). During the Year, administrative expenses amounted to RMB1,114.5 million (2017: RMB987.7 million). Selling and marketing expenses increased because more resources were invested by the Group on brand building and establishment of distribution channels whereas the increase in administrative expenses was mainly due to the corresponding increase in staff costs.

Operating profit was RMB1,331.9 million for the Year, increasing by 12.2% from the operating profit of RMB1,186.6 million for 2017. Benefitting from the increase in the investment results of joint ventures, the share of profits of investments accounted for using the equity method increased by 196.0% to RMB84.4 million (2017: RMB28.5 million) during the Year. Profit attributable to equity holders of the Company for the Year was RMB1,029.7 million, representing an increase of 17.2% as compared with RMB878.2 million of the corresponding period last year, which were mainly attributable to a growth in profits from the beverages business. Earnings per share during the Year were RMB23.84 cents (2017: RMB20.33 cents).

## FINANCIAL ANALYSIS

### Cash and Borrowings

As at 31 December 2018, the Group had cash and bank balances of RMB5,176.5 million (31 December 2017: RMB2,782.7 million), among which 99.65% was denominated in Renminbi and 0.29% was denominated in United States dollars. The Group mainly financed its operation and capital expenditures with internally generated cash flow. As at 31 December 2018, the Group's total financial liabilities increased by 48.9% to RMB1,987.7 million (31 December 2017: RMB1,334.8 million), which was due to the preparation for payment due within contractual periods at the end of the period. None of such financial liabilities was repayable over one year. 99.3% of the Group's total financial liabilities was denominated in Renminbi. As at 31 December 2018, all of the Group's financial liabilities bore floating interest rates, save for the RMB500 million notes due in 2019 which was at fixed interest rate of 3.9% per annum. As at 31 December 2018, the Group did not have any secured bank borrowing (31 December 2017: Nil).

### Financing

The Group aimed to maintain an appropriate capital structure. Taiwan Ratings Corporation, a credit rating agency, issued a report about the Group's credit rating on 31 July 2018, and maintained the Group's long term credit rating at "twAA", with a rating outlook standing at "Stable (穩定)". The following table sets out the gearing ratios of the Group during the two years ended 31 December 2018:

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Total borrowings	<b>1,987,726</b>	1,334,768
<i>Less: cash and bank balances</i>	<b><u>(5,176,478)</u></b>	<u>(2,782,731)</u>
Net cash	<b>(3,188,752)</b>	(1,447,963)
Total equity	<b><u>13,222,307</u></b>	<u>12,815,477</u>
Total capital	<b><u><u>10,033,555</u></u></b>	<u><u>11,367,514</u></u>
Gearing ratio ( <i>Note</i> )	<b><u><u>(31.78%)</u></u></b>	<u><u>(12.74%)</u></u>

*Note:* The gearing ratio was computed as the net cash divided by the sum of total equity and net cash.

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

## Cash Flow and Capital Expenditure

As at 31 December 2018, the Group recorded a year-on-year net decrease in cash and cash equivalents of RMB793.2 million, comprising net cash inflow from operating activities of RMB2,563.2 million, net cash outflow from investing activities of RMB3,389.5 million and net cash inflow from financing activities of RMB33.1 million. The Group's capital expenditure for the year was RMB985.8 million (31 December 2017: RMB750.8 million), which mainly resulted from the procurement, improvement and upgrading of equipment, the building of a sales and distribution network and the investment in R&D equipment.

## Analysis of Operating Efficiency

Sales to most customers were made on a delivery on payment basis. Trade receivables were generated from credit sales to credit customers from modern channels (including but not limited to food and groceries stores, stalls, department stores and e-commerce merchants) with credit terms normally ranging from 60 to 90 days. During the Year, by systemizing the risk prevention system in sales channels and improving the client credit early alert management model, net trade receivables decreased by RMB32.9 million to RMB530.1 million (31 December 2017: RMB563.0 million).

The Group's trade payables mainly arose from credit purchase of raw materials, and the inventories mainly comprised raw materials, packaging materials, finished goods and low-value consumables. Trade payables of the Group increased by RMB158.2 million to RMB1,554.2 million (31 December 2017: RMB1,396.0 million), while the inventories increased by RMB299.6 million to RMB1,459.0 million (31 December 2017: RMB1,159.4 million). The increase was due to the increase in revenue, and the increase in products, raw materials and finished goods required in the early preparation for increased production and sales during the Chinese New Year. The following table sets out the major turnover days during the two years ended 31 December 2018.

	Year ended 31 December	
	2018	2017
Trade receivable turnover days	9	9
Inventory turnover days	33	30
Trade payable turnover days	<u>37</u>	<u>32</u>

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

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

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

The Group reckoned that inventory turnover days, trade receivables turnover days and trade payable turnover days in the distribution channel helped the Group in understanding the efficiency of inventory liquidity and the sales and cash conversion cycle. Through reviewing and improving the turnover days, the Group could improve its revenue, profit and the ability of on-going growth for the sake of enhancing operational efficiency.

## **Financial Management**

The Group adhered to the principle of financial prudence. It sought to control risk variables and moved forward prudently by moderately adjusting its selling and marketing expenses according to market conditions, and made appropriate capital expenditures to optimise and expand its infrastructure. The Group's finance department formulated financial risk management policies based on the policies and procedures approved by the Board and guided by executive Directors. These policies were reviewed by the Group's internal audit department and the internal control department regularly. The Group's financial policy aimed at reducing 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 finance department provided centralised financial risk (including interest rate and foreign exchange risk) and cash flow management, and cost-effective funding for the Group and its members. During the Year, the department organised and adjusted its finance management process and implemented specialised division of labour, so that its finance function shifted from cost accounting to value creating. By creating a function-based finance sharing centre step by step with reference to our business form, the department provided support to the management on decision-making. Also, it facilitated the business development in terms of compliance, risk management, and performance enhancement to create higher value for our shareholders.

## **Treasury Policy**

It was the Group's treasury management policy not to engage in any highly risky investment or speculative derivative product and not to invest the working capital in financial products with significant underlying leverage or risks, including hedge funds or similar instruments. The Group continued to adopt a conservative approach to financial risk management with no significant bank borrowing during the Year.

Most of the Group's receipt and payment were denominated in Renminbi since a majority of its revenue was derived from operations in the People's Republic of China (the "PRC"). The Group might be exposed to foreign exchange risks arising from future borrowings from overseas and certain recognised assets or liabilities denominated in other currencies, such as cash and cash equivalents and borrowings. The Group would use foreign exchange forward contracts outside the PRC, when appropriate, to manage risks and to control the Group's assets and liabilities when interest or exchange rates were uncertain or fluctuating, or whenever suitable.

## **SIGNIFICANT INVESTMENT**

As at 31 December 2018, the Group's financial assets measured at fair value through other comprehensive income was RMB218.6 million (the fair value of available-for-sale financial assets as at 31 December 2017: RMB222.1 million), which resulted from the fair value changes of listed securities. The financial assets measured at fair value through other comprehensive income mainly consisted of the fair value of the equity of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Holdings") (listed securities) of approximately RMB6.9 million (31 December 2017: RMB10.4 million) and the fair value of the equity of Heilongjiang Wondersun Dairy Joint Stock Co., Ltd. ("Wondersun") (non-listed securities) of approximately RMB211.7 million (31 December 2017: RMB211.7 million).

Haisheng Holdings is a company listed on the Stock Exchange (stock code: 359.HK), which is mainly engaged in the manufacturing and processing of juice concentrate. Wondersun is a company limited by shares established in the PRC, which is primarily engaged in the manufacturing of milk powder and liquid milk products. After reviewing the latest financial statements of Wondersun and discussing with its management, the Board expected the business performance of Wondersun will be stable in 2019. With respect of the prospects of Haisheng Holdings, the Board noted from the announcement of Haisheng Holdings dated 15 March 2019 that the board of directors of Haisheng Holdings expect it to record a decrease in profit attributable to owners of Haisheng Holdings of over 30% for the year ended 31 December 2018 as compared with that for the same period in 2017, which is mainly attributable to the increase in expenses incurred to expand distribution channels for the sale of apples and other fruits. The Board will closely monitor the performance and prospects of Wondersun and Haisheng Holdings to safeguard the interest of the Company's shareholders.

The Group invested in established upstream raw material suppliers to enhance its competitiveness in the overall beverages business. Currently, it has no further investment plan. The Group will persist to implement prudent investment strategies.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2018.

## **CHARGES ON GROUP ASSETS**

The Group did not have any charge on group assets as at 31 December 2018.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Directors confirmed that as at the date of this announcement, there was no current plan to acquire any material investment or capital assets other than those in the Group's ordinary business of manufacturing and sale of beverages and instant noodles.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2018, the total number of employees of the Group was 29,192. The Group adhered to the policies of focused and streamlined operation, and organisational structure and staff structure were improved on a continuous basis to make the enterprise stronger and more efficient. In terms of recruitment, the Group was streamlining its administration and progressing towards meritocracy. The Group insisted on building a stable and robust team through mechanisms like comprehensive training, humane care and etc. Internal training, regular position transfer, external part-time study and other measures enhanced our overall performance and provided talents for key positions of the Group steadily. Meanwhile, priorities were given to internal promotion over external recruitment, and performance appraisal and other measures were implemented to keep the current management team ambitious and strong. To achieve the Group's annual goals, the Group had performance bonuses and incentive schemes in place to commend and encourage employees at all levels to make outstanding contributions to the Group's business. Performance bonuses were distributed on the basis of the realised earnings and profits objectives of individual business units and the Group as a whole, as well as the performance appraisal.

The Group's remuneration policy rewarded our employees and directors with reference to their performance, qualifications, demonstrated capabilities, market comparable information and the performance of the Group. As part of the Group's remuneration policy, the Group entered into individual employment contracts with each of its employees, which covered wages, social security benefits, workplace safety and hygiene environment, confidentiality obligations on trade secrets and termination conditions.

During the Year, total staff costs (including directors' remuneration) were RMB3,217.4 million (2017: RMB3,025.2 million).

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the external auditors of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **AUDIT COMMITTEE**

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



## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of RMB23.84 cents per share for the Year.

The final dividend will be paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China for five days prior to the date of the annual general meeting of the Company. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company, the final dividend will be paid on or around Thursday, 13 June 2019 to shareholders whose names appear on the register of members of the Company on Monday, 27 May 2019.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has complied with all code provisions of the corporate governance code (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the Year, except that pursuant to Code Provision A.2.7 of the then prevailing Corporate Governance Code, the chairman of the Board has to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Lo Chih-Hsien, the chairman of the Board, is also an executive Director, the Company has deviated from the then prevailing Code Provision A.2.7 as it was not applicable. However, Code Provision A.2.7 of the Corporate Governance Code has been amended with effect from 1 January 2019 and now requires the chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the presence of other Directors. The Company will comply with the code provisions of the Corporate Governance Code in coming years.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **RE-ELECTION OF DIRECTORS**

In accordance with Article 130 of the articles of association of the Company (the "Articles of Association"), each of Mr. Chen Kuo-Hui, Mr. Fan Ren-Da, Anthony and Mr. Lo Peter will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Chen Kuo-Hui, Mr. Fan Ren-Da, Anthony and Mr. Lo Peter being eligible, will offer himself for re-election. There is no service contract entered into between each of Mr. Chen Kuo-Hui, Mr. Fan Ren-Da, Anthony and Mr. Lo Peter, and the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 10 May 2019 to Friday, 17 May 2019 (both days inclusive) in order to determine the entitlement of the shareholders of the Company to attend the forthcoming annual general meeting of the Company to be held on Friday, 17 May 2019, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 9 May 2019.

The register of members of the Company will be closed from Thursday, 23 May 2019 to Monday, 27 May 2019 (both days inclusive) in order to determine the entitlement of shareholders of the Company to receive the final dividend, during which period no transfer of the shares in the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 22 May 2019.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 17 May 2019, the final dividend will be paid on or around Thursday, 13 June 2019.

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

The consolidated financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2017 or 2018 but is derived from those financial statements. The 2018 annual report of the Company will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at <http://www.uni-president.com.cn> in due course.

## **ACKNOWLEDGEMENT**

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

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

22 March 2019

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