2010
Annual Report

China Huiyuan Juice Group Limited
中國滙源果汁集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1886

2010 Annual Report
China Huiyuan Juice Group Limited

About Us

China Huiyuan Juice Group Limited (the “Company”, together with its subsidiaries, the “Group” or “Huiyuan Juice” or “Huiyuan”), a leading fruit and vegetable juice producer in China, is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. As at the end of 2010, the Group has 40 subsidiaries with 11,433 employees. Juice products of Huiyuan Juice are categorized into 100% juice, nectars and juice drinks based on juice concentration. According to the research on Chinese retailing sector conducted by Nielsen in 2010, the Group’s 100% juice and nectars continue to rank as the market leader with market shares of 50.2% and 45.0%, respectively, each by sales volume. Most of the products of the Group are sold under the brand of “Huiyuan”. The Group believes that “Huiyuan” juice is one of the most familiar brand and recognized fruit and vegetable juices among Chinese consumers.

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Corporate Information

Board of Directors

Executive Directors
Mr. ZHU Xinli *(Chairman)*
Mr. JIANG Xu
Mr. LEE Wen-chieh

Non-executive Director
Mr. Andrew Y. YAN

Independent Non-executive Directors
Mr. WANG Bing
Ms. ZHAO Yali
Mr. QI Daqing
Mr. SONG Quanhou

Company Secretary

Ms. MA Sau Kuen Gloria

Authorized Representatives

Mr. ZHU Xinli
Ms. MA Sau Kuen Gloria

Financial Management and Audit Committee

Mr. QI Daqing *(Chairman)*
Mr. WANG Bing
Mr. SONG Quanhou

Remuneration and Nomination Committee

Mr. Andrew Y. YAN *(Chairman)*
Mr. QI Daqing
Mr. WANG Bing

Registered Office

Scotia Centre
4th Floor
P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

Head Office

Huiyuan Road, Beixiaoying Town,
Shunyi District
Beijing, PRC

Registered Address in Hong Kong

Edinburgh Tower, 33/F, The Landmark
15 Queen's Road Central
Hong Kong

Company Website

www.huiyuan.com.cn

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

Listing Exchange Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

Principal Bankers

ABN AMRO Bank
Bank of Communications
Bank of China
Standard Chartered Bank

Financial Highlights

Comparison of results of 2010 and 2009

	For the year ended 31 December (RMB '000) 2010	2009
Revenue	**3,707,954**	2,832,627
Cost of sales	**2,345,999**	1,812,048
Gross profit	**1,361,955**	1,020,579
Fair value change in the conversion rights of Convertible Bonds	**65,875**	400,621
Profit attributable to equity holders	**198,286**	233,474
Adjusted profit/(loss) attributable to equity holders (Note 1)	**181,027**	(99,752)
EBITDA	**550,344**	160,066
Earnings/(losses) per share (RMB cents) (Note 2) — basic	**13.5**	15.9
— diluted	**11.2**	(6.9)

Note1 : The adjusted profit attributable to equity holders excludes interest expense on the Convertible Bonds, change in fair value of conversion rights of the Convertible Bonds, exchange gain relating to the Convertible Bonds and amortization of employee share option scheme.

Note 2: Please refer to Note 35 to the Consolidated Financial Statements for the calculation of earnings per share.

Sales by product

Financial ratio

	For the year ended 31 December		
	2010	**2009**	**Change**
Return on equity	**4.0%**	4.9%	–18.4%
Return on assets	**2.2%**	3.3%	–33.3%
Gearing ratio (total debt/total equity) (Note 1)	**58.4%**	28.7%	102.8%

Operating ratio (Note 2)

	For the year ended 31 December		
	2010	**2009**	**Change**
Turnover of finished goods	**26 days**	33 days	–7 days
Turnover of raw materials	**135 days**	166 days	–31 days
Turnover of trade receivables	**43 days**	48 days	–5 days
Turnover of trade payables	**113 days**	64 days	+49 days

Note 1: The total debt includes total borrowings of RMB2,320.8 million as at 31 December 2010 (as at 31 December 2009: RMB688.5 million) and convertible bonds of RMB605.2 million as at 31 December 2010 (as at 31 December 2009: RMB698.2 million).

Note 2: The turnover of finished goods as at 31 December is calculated as the balance of finished goods as at 31 December divided by cost of sales for the year multiplied by 365 days.
The turnover of raw materials as at 31 December is calculated as the balance of raw materials as at 31 December divided by raw materials used for the year multiplied by 365 days.
The turnover of trade receivables as at 31 December is calculated as the total balance of trade receivables and bills receivable as at 31 December divided by sales for the year multiplied by 365 days.
The turnover of trade payables as at 31 December is calculated as the total balance of trade payables as at 31 December divided by cost of sales for the year multiplied by 365 days.

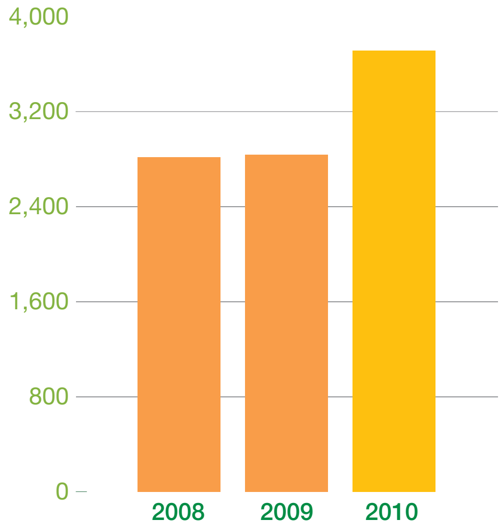
Five-year financial summary

	For the year ended 31 December (RMB million)				
	2010	**2009**	**2008**	**2007**	**2006**
Results					
Revenue	**3,708.0**	2,832.6	2,819.7	2,656.3	2,066.3
Gross profit	**1,362.0**	1,020.6	908.9	949.2	675.9
Profit for the year	**198.3**	233.5	88.9	640.2	221.0
Gross profit margin	**36.7%**	36.0%	32.2%	35.7%	32.7%
Net profit margin	**5.3%**	8.2%	3.2%	24.1%	10.7%
Profit attributable to equity holders of the Company	**198.3**	233.5	88.9	640.2	221.6

	As at 31 December (RMB million)				
	2010	**2009**	**2008**	**2007**	**2006**
Assets, liabilities and equity					
Total assets	**9,000.9**	7,072.6	7,191.3	6,887.2	3,496.4
Total liabilities	**3,988.5**	2,263.7	2,603.3	2,226.0	1,949.0
Equity attributable to equity holders of the Company	**5,012.4**	4,808.9	4,588.0	4,661.2	1,547.4
Minority interests	**—**	—	—	—	—

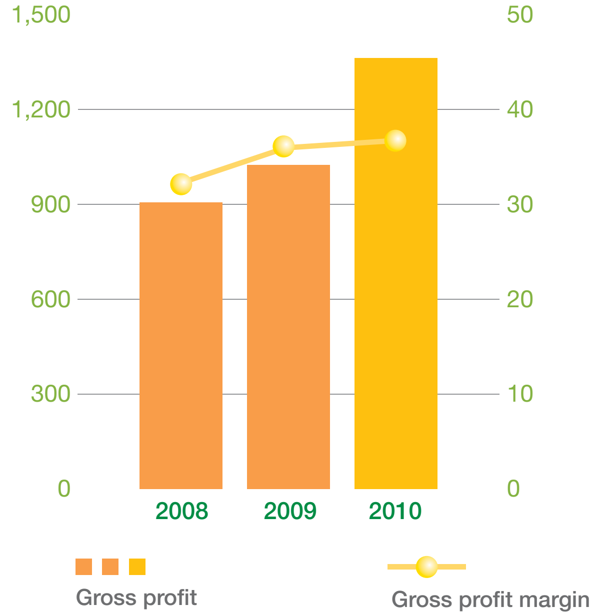
Revenue

(RMB million)



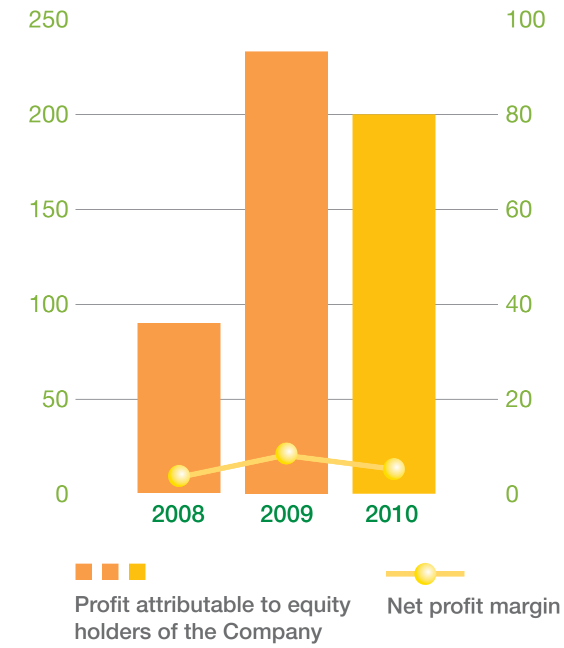
Gross Profit

(RMB million) (%)



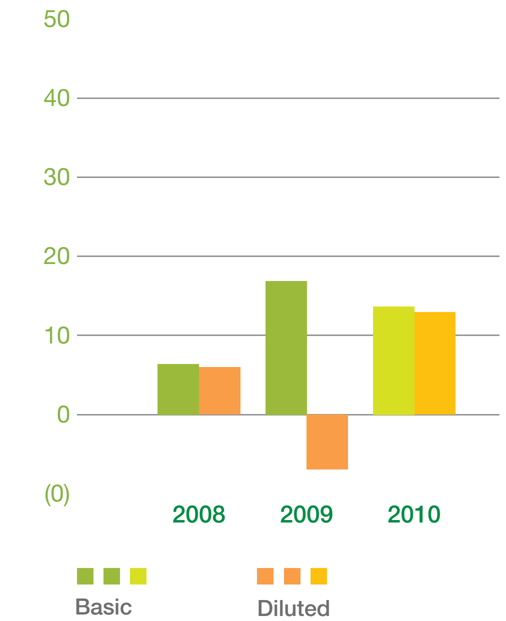
Profit Attributable to Equity Holders of the Company

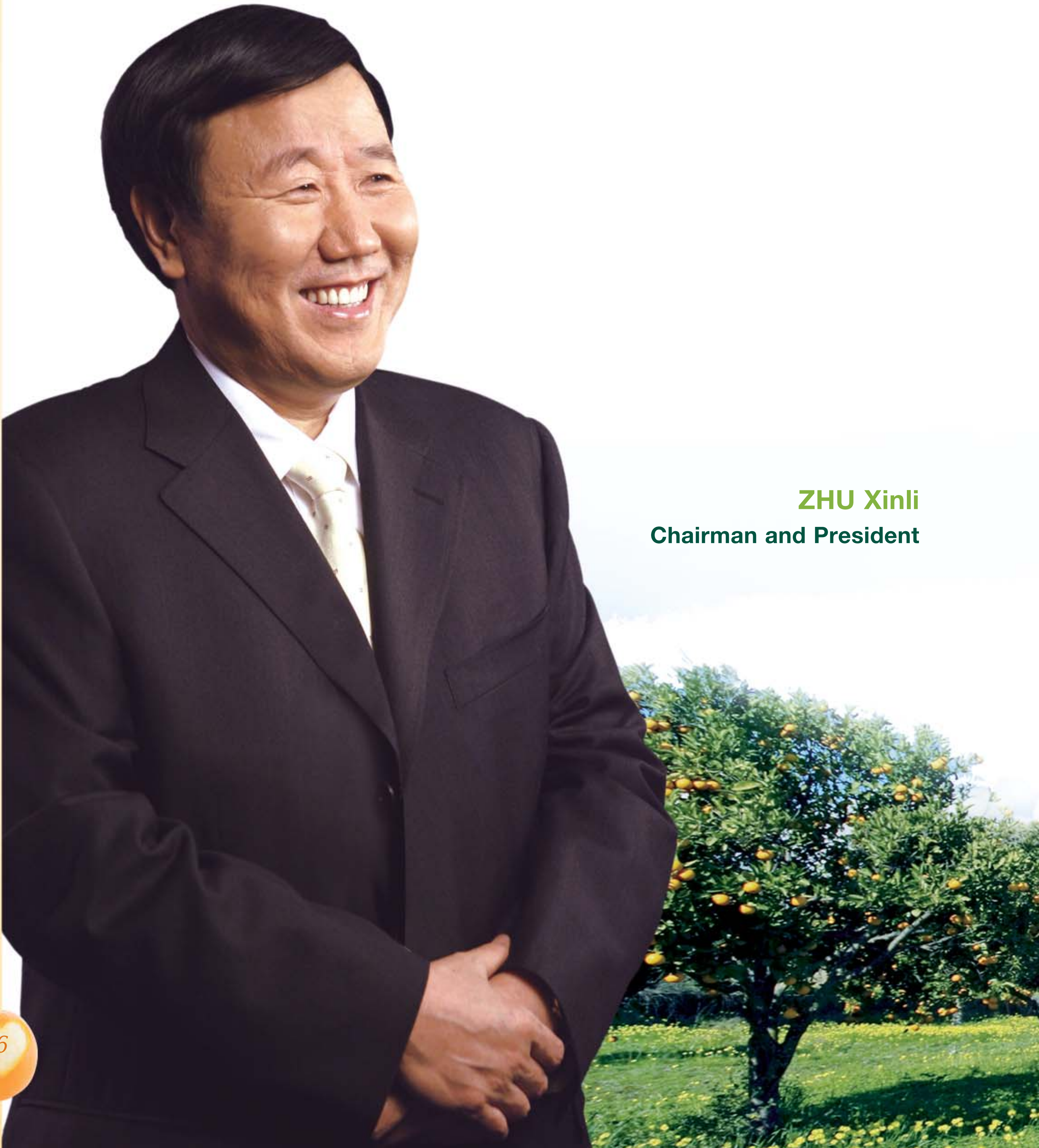
(RMB million) (%)



Earnings per Share

(RMB cents)





ZHU Xinli
Chairman and President

Chairman's Statement

In 2010, China's economy continued to grow significantly with an increase in its gross domestic product ("GDP") of 10.3%. The economic growth provided a favourable environment for business development of the Group. However, the competition in the juice beverage industry in China is intensifying while the industry is facing the pressure of rising raw material cost. The Producer Price Index of China ("PPI") in 2010 increased by 5.5% as compared with the corresponding period of 2009 and the growth momentum continued in January of this year with a 6% increase, reflecting a surge in production cost. The management of the Company prudently and proactively responded to the prevailing market conditions and achieved outstanding operating results so that the Company maintained its leading position in the industry.

For the year ended 31 December 2010, the Group recorded a revenue of RMB3,708.0 million, representing an increase of 30.9% as compared to 2009. Overall gross profit margin increased from 36.0% in 2009 to 36.7% in 2010. The adjusted profit attributable to equity holders amounted to RMB181.0 million as compared with a loss of RMB99.8 million in 2009. The board of directors of the Company (the "Board") recommended a final dividend of RMB0.033 per share.

The great potential in China's consumer market has attracted renowned multinational beverage producers to increase their investments in China, resulting in increasing competition within the industry. In addition, with the gradual change in consumption habit and the increase in consumption level in the rural area of China, the difference between the consumption patterns of the urban and rural areas has been narrowing, and the competition were intensified in the rural markets. To

respond the changing market conditions, the Company has expanded its production and sales across the country, and 5 factories were put into operation during the year. The Company has set up 40 modern factories in 22 provinces, municipalities and autonomous regions connected with fruit plantation of more than 5 million mu and established a nationwide production and sales network. Such geographical advantage formed economy of scale for the Group. In the second half of 2010, the Company streamlined its overall distribution network and marketing team by dividing its marketing department into the juice marketing department and the beverage marketing department, etc. At the same time, by enhancing the market penetration of the Company in second and third tier cities, sales increased significantly while selling expenses have been controlled effectively. The selling expenses as a percentage of sales decreased from 34.9% in the first half of 2010 to 23.7% in the second half of 2010.

As a leading producer in China's juice industry, Huiyuan enjoys good recognition and reputation among consumers in China. The market share of 100% juices and nectars has been ranked first for four consecutive years. According to Nielsen, Huiyuan maintained its leading position in the juice beverage market of China in 2010. The market shares (in terms of sales volume) of its 100% juices and nectars in China was 50.2% and 45.0% respectively, maintaining its leading position in these two markets. The Company has proactively developed and explored new products, and has effectively implemented a product diversification strategy. In April 2010, the Company launched a sparkling fruit juice drink "Juizee Pop" which is the first sparkling fruit juice drink product in China. As a healthy drink product, Huiyuan Juice has catered for the concept of low carbon living and won various awards, including "Reputable Brand 2010 of Reader's Digest" (讀者文摘信譽品牌獎2010), "the Most Popular Food" (最佳人氣食品), "the Most Reliable Food Brand" (最受信賴食品品牌), "Food Quality Trusted Brand in China" (全國食品品質消費者滿意品牌) and "College Students' Most Favourite Brand in 2010" (2010大學生至愛品牌). The newly-launched "Juizee Pop" also won various awards, including "Top 10 Taste Worthy New Drinks in 2010" (2010年度10大值得品嘗的飲品新品) and the "Natural Green Drinks" (清馨綠色飲品獎).

During the period under review, the Company has expanded and strengthened its horizontal and vertical strategic cooperation. The Company was also shortlisted as one of the suppliers of CNPC for 2011. The Company has established exclusive supply channels by entering into strategic cooperation with China Post and China Southern Airlines.

We believe the juice beverage industry has substantial room for development in China. Despite the large population in China, the annual per capita consumption of juice beverage is less than 1 kilogram, which is only one-tenth of the global average and one-fortieth of the average of developed countries. The improving consumption power of urban population and the spread of healthy and low carbon concept will further boost the sales of juice beverage. The Twelfth Five-Year Plan, a socio-economic development plan formulated by the PRC government for the next five years, introduced more policies to stimulate consumption. The management believe the food and beverage industry will benefit from the relevant policies of the Twelfth Five-Year Plan with further industrial transformation. The prospect of the beverage industry in the foreseeable future is promising.

In July 2010, SAIF acquired 22.98% of the issued share capital of Huiyuan Juice at a premium of 10.7% and became our second largest shareholder. In order to motivate the management and staff and to develop Huiyuan as an international leading enterprise, SAIF granted an option to the Employees Trust a call option to require SAIF, subject to certain conditions to sell (via a placing agent) an amount of shares equivalent to 7.0% or 7.5% of the Company's issued share capital at the time of its acquisition of shares of the Company. Net cash proceeds, if any, from the placing of the option shares after the deduction of the payment to SAIF of the price for the shares and relevant expenses, or the equivalent cash compensation (calculated using pre-determined formula) will be paid to the trust to be granted to the employee beneficiaries. The plan has aligned the growth of the Company with key personnel's interests, which motivates the management and staff to actively participate in the development of the Company.

Leveraging the leading position in the industry, brand influence, advantage of scale economy and management efficiency, the management believe Huiyuan Juice is able to capture opportunities in the growth of the PRC economy and beverage industry in the coming years. To this end, the Group will further streamline its businesses, expand its marketing network and enhance the efficiency of sales channel. It will also implement target-based management, introduce new products, further capitalise on its capacity, develop diversified sub-brands and strengthen cooperation with renowned companies such as the JDB Group, New Hope Group and Yedao Group.

On behalf of the Board of Huiyuan Juice, I hereby express my heartfelt gratitude to our shareholders, management, staff and business partners for their continuous support for the strategies and business development of the Group.

ZHU Xinli
Chairman
Hong Kong, 21 March 2011

Market review

Review of the China Juice Beverage Market

The juice beverage market in China has grown steadily in 2010. The increase in urban population and disposable income continue to drive demand for natural and healthy beverage products such as fruit and vegetable juices. According to Nielsen, sales of fruit and vegetable juices in China reached 3.5 billion liters in 2010, representing a 12.4% increase compared to 2009.

The Group recorded a sales volume of 1,059,715 tons of fruit and vegetable juices in 2010, representing a 26.0% increase as compared to 2009. Such increase emanated from the strategic initiatives implemented by the Group in 2009 and 2010.

According to Nielsen's statistics, Huiyuan remains the market leader in terms of market share. The following table (as extracted from Nielsen's report) shows Huiyuan's market share in each of 100% juice, nectars and juice drink in China in 2010.

For the year of 2010	Market Share By Volume	By Value (%)
100% Juice		
Huiyuan Juice	**50.2**	**43.7**
Second ranked competitor	15.9	19.9
Third ranked competitor	8.1	7.8
Fourth ranked competitor	4.9	6.4
Fifth ranked competitor	4.0	4.6
Next three competitors	9.0	9.9
26%—99% Concentration(Note 1)		
Huiyuan Juice(Note 2)	**45.0**	**39.8**
Second ranked competitor	32.2	28.7
Third ranked competitor	5.2	7.4
Fourth ranked competitor	2.5	2.4
Fifth ranked competitor	1.6	1.7
Next three competitors	2.8	4.0
25% & Below Concentration		
First ranked competitor	34.7	37.2
Second ranked competitor	17.6	15.3
Third ranked competitor	17.1	14.5
Fourth ranked competitor	7.0	7.8
Fifth ranked competitor	7.0	8.0
Huiyuan Juice(Note 3)	**6.3**	**5.0**

Notes:

(1) According to Nielsen, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% or below.

(2) Huiyuan Juice includes "Huiyuan", "Huiyuan Zhen Juice", "Kiwi Super Fruits", "Xi Qing", "Quan You" and "Guo Xianmei", the sub-brands of Huiyuan Juice.

(3) Huiyuan Juice includes "Huiyuan", "Huiyuan Zhen Juice", "Juizee Pop", "Lemon Me", "Xi Qing" and "Kiwi Super Fruits", the sub-brands of Huiyuan Juice.

"Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packages goods manufacturers and others in the consumer foods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen's opinion as to the value of any security or the advisability of investing in the company."

Business review

For details of our business review, please refer to the Chairman's Statement on pages 6 to 9.

Financial review

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year change
	2010	**2009**	**(%)**
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Revenue	**3,707,954**	2,832,627	30.9%
Gross profit	**1,361,955**	1,020,579	33.4%
Profit attributable to equity holders	**198,286**	233,474	-15.1%
Adjusted profit/(loss) attributable to equity holders (Note 1)	**181,027**	(99,752)	281.5%
EBITDA	**550,344**	160,066	243.8%
Earnings/(losses) per share (RMB cents) (Note 2)			
— basic	**13.5**	15.9	-15.1%
— diluted	**11.2**	(6.9)	262.3%
Selected financial ratios			
Gross profit margin (%)	**36.7%**	36.0%	
Margin of adjusted profit attributable to equity holders (%)	**4.9%**	-3.5%	
EBITDA margin (%)	**14.8%**	5.7%	
Return on equity holders' equity (%)	**4.0%**	4.9%	
Gearing ratio (total debt to total equity) (Note 3)	**58.4%**	28.8%	

Notes:

(1) Please refer to note 1 on page 3.

(2) Please refer to Note 35 of the consolidated statement of comprehensive income for the calculation of earnings per share.

(3) The gearing ratio is based on total debt divided by total equity as at 31 December 2010.

Sales

Sales of the Group's core juice products, comprising 100% juices, nectars and juice drinks, increased significantly by 26.4% from RMB2,687.5 million in 2009 to RMB3,397.1 million in 2010 primarily due to an increase in sales across 100% juices, nectars and juice drinks.

Sales of 100% juices, which accounted for 23.6% of the Group's total sales, increased by 37.2% from RMB639.2 million in 2009 to RMB876.6 million in 2010 primarily due to a 27.9% increase in sales volume and a 7.3% increase in average selling price.

Sales of nectars continued to be the Group's main revenue driver accounting for 39.6% of its total sales and 34.9% of its total sales volume in 2010. Sales of nectars increased by 15.2% from RMB1,273.8 million in 2009 to RMB1,466.8 million in 2010, due to a 10.4% increase in sales volume and a 4.4% increase in average selling price.

Sales of juice drinks, which accounted for 28.4% of the Group's total sales, increased by 36.0% from RMB774.6 million in 2009 to RMB1,053.7 million in 2010, primarily due to a 43.1% increase in the sales volume.

The sales of other beverage products increased significantly by 114.2% from RMB145.1 million in 2009 to RMB310.8 million in 2010 primarily attributed to the increase in sales of water, bottled tea and milk juice.

Cost of sales

Cost of sales increased by 29.5% from RMB1,812.0 million in 2009 to RMB2,346.0 million in 2010. The increase in cost of sales was primarily due to a 30.2% increase in sales volume.

Gross profit

Gross profit increased by 33.4% from RMB1,020.6 million in 2009 to RMB1,362.0 million in 2010. Gross profit margin increased slightly from 36.0% in 2009 to 36.7% in 2010.

Other income

Other income increased significantly by 468.6% from RMB28.9 million in 2009 to RMB164.3 million in 2010, primarily due to the increase of government subsidy income in the amount of RMB91.4 million.

Selling and marketing expenses

Selling and marketing expenses increased by 23.5% from RMB845.9 million in 2009 to RMB1,044.6 million in 2010, mainly due to the increase in depreciation, payroll expenses for sales representatives and transportation expenses.

Administrative expenses

Administrative expenses increased by 7.3% from RMB283.7 million in 2009 to RMB304.4 million in 2010. The administrative expenses as a percentage of revenue have decreased from 10.0% in 2009 to 8.2% in 2010.

Finance income/cost

The Group recorded net finance income of RMB54.6 million in 2010 as compared to a net finance income of RMB345.3 million in 2009, primarily as a result of a RMB65.9 million gain in changes in fair value of the Convertible Bonds in 2010 as compared to a RMB400.6 million gain in changes in fair value of the Convertible Bonds in 2009, which was partially offset by a RMB69.3 million increase in foreign exchange gain from RMB0.7 million in 2009 to RMB70.0 million in 2010.

Income tax expenses

Income tax expenses increased by 8.1% from RMB31.1 million in 2009 to RMB33.6 million in 2010, primarily due to the increase in operating profits, which was partially offset by the write-off of RMB7.5 million deferred tax assets recognized for unutilized tax loss in 2009 whereas a total of RMB21.2 million deferred tax assets recognized for unutilized tax loss was recorded in 2010.

Profit attributable to equity holders of the Company

As a result of the foregoing, the Group recorded RMB177.3 million in operating profit in 2010 as compared with a RMB80.0 million operating loss in 2009. The adjusted profit attributable to the equity holders of the Company for 2010 was RMB181.0 million compared to a loss attributable to the equity holders of the Company of RMB99.8 million for 2009.

The margin for the adjusted profit attributable to the equity holders of the Company for 2010 was 4.9% as compared with the margin for the adjusted loss attributable to the equity holders of the Company of 3.5% for 2009.

Liquidity and Capital Resources

The Group's working capital and other capital requirements were principally funded by cash generated from operations and bank borrowings.

As at 31 December 2010, the Group had an aggregate of RMB2,320.8 million in outstanding bank loans and RMB605.2 million in outstanding Convertible Bonds as compared to RMB688.5 million of outstanding bank loans and RMB698.2 million of outstanding Convertible Bonds in 2009. The gearing ratio (total debt (including the Convertible Bonds)/total equity) of the Group was 58.4% in 2010, representing a increase of 29.7 percentage points as compared to 28.7% in 2009.

The Group's borrowings include bank loans and the Convertible Bonds. As at 31 December 2010, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year	Total
		(RMB in million)	
Bank loans	748.2	1,572.6	2,320.8
Convertible Bonds	605.2	—	605.2
Total	1,353.4	1,572.6	2,926.0
Analysed as:			
Secured	—	—	—
Unsecured	1,353.4	1,572.6	2,926.0

Operating activities

Net cash generated from operating activities was RMB247.8 million in 2010, while the Group's net profit before tax for the same period was RMB231.9 million. The difference of RMB15.9 million was primarily due to a RMB269.5 million depreciation of fixed assets and a RMB30.7 million amortization of land use right and intangible assets and a RMB84.0 million interest expenses, partially offset by a RMB65.9 million changes in fair value of the Convertible Bonds and a RMB225.8 million increase in inventory and trade and other receivables as a result of the increase in sales for the year of 2010 and a RMB70.0 million exchange gain.

Investing activities

Net cash used in investing activities in 2010 was RMB2,390.1 million as compared to net cash used in investing activities of RMB437.9 million in 2009, primarily as a result of a RMB2,137.2 million used in the purchase of property, plant and equipment.

Financing activities

Net cash generated from financing activities in 2010 was RMB1,618.9 million, as compared to net cash used in financing activities of RMB289.5 million in 2009, primarily as a result of RMB1,677.8 million proceeds from bank borrowings.

Capital Expenditure

Capital expenditures comprised purchases of property, plant and equipment, and additions to land use rights. The Group consistently increased its annual total capital expenditures in 2010. During the year ended 31 December 2010, the Group spent RMB2,137.2 million on the purchase of property, plant and equipment and RMB203.7 million in the acquisition of land use rights.

As at 31 December 2010, the Group had capital commitments of RMB202.1 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2011 will be significantly reduced compared with 2010. The Group plans to finance its 2011 capital expenditure requirements primarily with cash generated from its operations and bank loans.

The Group had drawn down the full amount of a US$70 million syndicated loan in January 2007. The syndicated loan is repayable in five semi-annual installments from January 2010.

The Group has further obtained and drawn down a US$250 million syndicated loan in June 2010. The US$250 million syndicated loan is repayable in three semi-annual installments from May 2012.

Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates and purees, sugars and additives) and finished goods (including juices and other beverage products). Raw materials make up the majority of the Group's inventory. Raw materials turnover days and turnover days for finished goods decreased from 166 and 33 days, respectively, in 2009 to 135 and 26 days, respectively, in 2010. Turnover days for trade receivables in 2010 decreased to 43 days from 48 days in 2009.

Contingent Liabilities

As at 31 December 2010, the Group did not have any outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 31 December 2010, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2010, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 31 December 2010, the Group did not have any capital leases.

Market risks

The activities of the Group expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk. Financial risk management is carried out by the group treasury which identifies, evaluates and hedges financial risk.

Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet dates, substantially all of the Group's borrowings were carried at market lending rates.

Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD") and the Euro. The Group is also exposed to foreign currency exchange risk arising from the bank deposits, the Convertible Bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in 2010 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2010, assuming the exchange rate of RMB increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for 2010 would have been decreased/increased by RMB16.3 million (2009: RMB13.9 million), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated the Convertible Bonds and bank borrowings.

As at 31 December 2010, assuming the exchange rate of RMB increased/decreased by 1% against the Euro with all other variables remaining unchanged, the Group's post-tax profit for 2010 would have been decreased/increased by RMB1.9 million (2009: RMB3.4 million), mainly due to the foreign exchange losses/gains on retranslation of Euro-denominated prepayments for equipments.

Credit Risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected customers, including distributors with long-term relationship with the Group and supermarket operators having entered into contracts with the Group with credit terms. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and previous record. The utilization of credit limits is regularly monitored. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the five largest customers was RMB77.4 million as at 31 December 2010 (2009: RMB68.3 million), representing 20% of the total balance of trade receivables as at 31 December 2010 (2009: 20%).

Employees and Welfare Contribution

As at 31 December 2010, the Group had 11,433 employees (including 3,511 employees in production), 731 of whom were engineers and technicians having attended technical school or higher education. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

As at 31 December 2010, the Group's employees' deployment by function was as follows:

Functions	
Production	3,511
Sales and marketing	5,843
Management and other administration	1,191
Research and development (including quality assurance)	387
Finance and accounting	397
Purchase and supply	104
Total headcount	11,433

The Group enters into individual employment contracts with its employees to cover matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. Other than employment contracts with middle and senior management, these employment contracts have a term of between one and three years with a probation period between one and three months. The Group rewards its employees for innovations and improvements by giving them incentive bonuses.

The Group invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group has arranged for internal and external vocational training courses to develop its employees' skills and knowledge. These training courses range from further educational studies to basic production process and skill training to professional development courses for its management personnel.

In accordance with applicable PRC regulations on social insurance, the Group participates in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan, a work-related injury insurance plan for its employees as required by local government.

The employees of the Group have established a labor union, which is a member of the All China Federation of Trade Unions. The labor union organizes various activities to improve the quality of life for our employees.

The Directors of the Company present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2010.

Principal activities

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The Company's principal subsidiaries are primarily engaged in the manufacturing and sales of juice products. Details of the activities of the subsidiaries of the Group are set out in note 10 to the consolidated financial statements on pages 77 to 79.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2010 are set out on page 50. The Board has resolved to recommend the payment of a final dividend of RMB0.033 per share for the year ended 31 December 2010.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 8 to the consolidated financial statements on page 75.

Summary of financial information

A summary of the Group's results, assets, liabilities and minority interests for the last five financial years is set out in the section headed "Financial highlights" on page 4.

Share capital

Details of the movement in the Company's share capital during the year ended 31 December 2010 are set out in note 17 to the consolidated financial statements on page 85.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Reserves

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2010 are set out in note 19 to the consolidated financial statements on pages 85 to 86.

Distributable reserves

As at 31 December 2010, the Company's distributable reserve is RMB348.8 million. The Board has resolved to recommend the payment of a final dividend of RMB0.033 per share for the year ended 31 December 2010. Subject to approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 14 June 2011.

Directors

The directors who held office during the year ended 31 December 2010 and up to the date of this report are:

Executive Directors:

Mr. ZHU Xinli *(Chairman and President)*
Mr. JIANG Xu
Mr. WU Chungkuan (resigned on 18 March 2010)
Mr. LEE Wen-chieh (appointed on 18 March 2010)

Non-executive Directors:

Mr. QIN Peng (resigned on 28 July 2010)
Mr. Andrew Y. YAN (appointed on 28 July 2010)

Independent Non-executive Directors:

Mr. WANG Bing
Ms. ZHAO Yali
Mr. TSUI Yiu Wa, Alec (resigned on 13 July 2010)
Dr. QI Daqing (appointed on 13 July 2010)
Mr. SONG Quanhou

In accordance with the Article 130 of the Company's articles of association, Mr. JIANG Xu, Ms. ZHAO Yali and Mr. SONG Quanhou will retire from office as director by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with the Article 114 of the Company's articles of association, Mr. Andrew Y. YAN and Mr. QI Daqing shall hold office till the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Independence of the independent non-executive directors

The Board has received from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Hong Kong Listing Rules, and considers that all of the independent non-executive directors are independent.

Biographical details of the directors' and senior management

Biographical details of the directors and the senior management of the Group as at the date of this report are set out on pages 40 to 44 of this annual report.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and controlling shareholder's interests in contracts

Save for the related party transactions of the Group with the companies controlled by Mr. Zhu Xinli, an executive director, no other director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group for the year ended 31 December 2010.

The details of such related party transactions are set out in note 40 the consolidated financial statements on pages 104 to 106. Save for related party transactions mentioned above, there was no contract of significance to the business of the Group for the year ended 31 December 2010, in which directors or the controlling shareholder of the Company had a material interest, either directly or indirectly.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2010, the interests and short positions of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"), were as follows:

Long positions

Details of the Shares held

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	–	–	619,136,588[a]	–	619,136,588[a]	41.89%
			110,161,215[b]		110,161,215[b]	7.45%
Andrew Y. Yan[c]	–	–	337,497,501	–	337,497,501	22.84%

Details of outstanding options granted under the Share Option Scheme

Name of director	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options cancelled or lapsed during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the outstanding options as at 31 December 2010
Qi Daqing	13 July 2010	13 July 2020	5.426	–	150,000	–	–	150,000

Notes:

(a) These shares were beneficially owned by China Huiyuan Holdings which is wholly-owned by Mr. Zhu Xinli. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the shares held by China Huiyuan Holdings.

(b) Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.

(c) These shares were beneficially owned by Sino Fountain Limited, which is indirectly wholly-owned by SAIF III GP Capital Ltd, through its indirect wholly-owned shareholding of SAIF III GP, L.P.. SAIF III GP Capital Ltd. is indirectly wholly-owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by Sino Fountain Limited.

Save as disclosed above, as at 31 December 2010, none of the directors nor the chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares

Save as disclosed in the paragraph headed "directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in this report, at no time during the year ended 31 December 2010 or the period following 31 December 2010 up to the date of this report, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

The Company has adopted two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme, the details of which are set out below:

1. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 30 January 2007. The purpose of our Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme except for the following:

(a) the subscription price per share shall be the Offer Price per share; and

(b) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date.

The Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007 and the options granted have a 10-year exercise period. Commencing from the first, second and third anniversary of grant of an option, the relevant grantee may exercise up to 30%, 60% and 100%, respectively, of the shares comprised in his or her option.

As at 31 December 2010, a total of 1,000,000 shares (representing approximately 0.07% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2010 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options lapsed or cancelled during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the outstanding options as at 31 December 2010
Ng Yuk Keung	30 January 2007	22 February 2017	6.00	700,000	–	–	700,000
Dong Ying	30 January 2007	22 February 2017	6.00	300,000	–	–	300,000
				1,000,000	–	–	1,000,000

2. Share Option Scheme

The Share Option Scheme was approved on 30 January 2007. The purpose of the Share Option Scheme is to provide incentive and/or reward to any director or employee of the Group or of any entity in which the Company has equity interest, any executive of the controlling shareholder of the Group, and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to the Group and their continuing efforts to promote the Group's interests.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme shall not in aggregate exceed 138,749,750 Shares of the Company, being 10% of the total number of shares in issue immediately prior to the date on which dealings in the shares of the Company commenced on the Hong Kong Stock Exchange. The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007 and the options granted have a 10-year exercise period. Commencing from the first, second, third and fourth anniversary of grant of an option granted, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2010 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed or cancelled during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the outstanding options as at 31 December 2010
Tsui Yiu Wa, Alec	25 February 2008	25 February 2018	6.39	150,000		150,000	–	–
Qi Daqing	13 July 2010	13 July 2020	5.426	–	150,000	–	–	150,000
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500		–	–	28,810,500
				28,960,500	150,000	150,000	–	28,960,500

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2010, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions

Name	Number of shares	Percentage of the Company's share capital
Mr. Zhu Xinli	619,136,588[a]	41.89%
	110,161,215[d]	7.45%
Huiyuan Holdings	619,136,588[a]	41.89%
China Huiyuan Holdings	619,136,588[a]	41.89%
APG Algemene Pensioen Groep N.V.[b]	98,774,501	6.68%
Stichting Pensioenfonds ABP[b]	98,774,501	6.68%
Entie Commercial Bank	337,497,501	22.84%
Sino Fountain Limited[c]	337,497,501	22.84%
SAIF III GP Capital Ltd.[c]	337,497,501	22.84%
Mr. Adrew Y. Yan[c]	337,497,501	22.84%
Huiyuan Employees Benefit Co., Limited[d]	110,161,215	7.45%
Ms. Shi Xiuping[d]	110,161,215	7.45%
Mr. Zhao Jinlin[d]	110,161,215	7.45%

Notes:

(a) Huiyuan Holdings is wholly owned by Mr. Zhu Xinli and China Huiyuan Holdings is a wholly owned subsidiary of Huiyuan Holdings. Each of Mr. Zhu and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings.

(b) Stichting Pensioenfonds ABP indirectly holds 98% of the shareholdings in APG Algemene Pensioen Groep N.V.. Therefore Stichting Pensoenfonds ABP is deemed to be interested in shares held by APG Algemene Pensioen Groep N.V..

(c) Sino Fountain Limited is indirectly wholly-owned by SAIF III GP Capital Ltd, through its indirect wholly-owned shareholding of SAIF III GP, L.P.. Therefore SAIF III GP Capital Ltd. is deemed to be interested in shares held by Sino Fountain Limited. SAIF III GP Capital Ltd. is indirectly wholly-owned by Mr. Andrew Y Yan. Therefore, Mr. Andrew Y Yan. is deemed to be interested in the shares held by SAIF III GP Capital Ltd..

(d) Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.

Save as disclosed above, the directors are not aware of any persons who should be registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO as at 31 December 2010.

Dilutive effect of the Convertible Bonds

During the reporting period, a total of US$6,000,000 Convertible Bonds held by Mr. Zhu Xinli had been converted into 9,136,588 Ordinary Shares and a total of US$65,000,000 Convertible Bonds remained outstanding. As such, the public float have been diluted from 32.77% to 32.57%.

As at 31 December 2010, if the other Bond Holders fully converted their Convertible Bonds into the Ordinary Shares at a price of HK$5.1, i.e., at a 15% discount to the Offer Price, a total of 98,774,501 Ordinary Shares would have been issued and the then issued share capital of the Company would have been enlarged to comprise a total of 1,576,727,293 Ordinary Shares. As such, assuming that the all the outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme were fully exercised as at 31 December 2010, the public float would have been diluted to 29.96% from 32.57% prior to such conversion.

Purchase, sale or redemption of the Company's listed securities

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities.

Emolument policy

Details of the directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 30 to the consolidated financial statements on pages 98 to 100.

As at 31 December 2010, the Group had 11,433 employees (31 December 2009: 17,111 employees). The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence. The emoluments payable to the directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director should determine his or her own remuneration.

In addition to basic salaries, the Company has the Pre-IPO Share Option Scheme and the Share Option Scheme as an incentive for directors and eligible employees. Details of the schemes are set out in note 20 to the financial statements on pages 87 to 89.

Retirement benefits scheme

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Use of proceeds from listing and post balance sheet events

The net proceeds from the Company's initial public offering including the exercise of the Overallotment Option amounted to approximately HK$3,726 million. These net proceeds were partially applied during the period from the Listing Date up to 31 December 2010 and such application is consistent with the proposed usage of the net proceeds set forth in the Prospectus. The balance of the net proceeds is deposited in the Group's interest-bearing bank accounts.

The details of the significant post balance sheet events of the Group are set out in note 41 to the consolidated financial statements on page 106.

Major customers and suppliers

In the year ended 31 December 2010, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Banking facilities and other borrowings

Details of the bank facilities and other borrowings of the Company as at 31 December 2010 are set out in note 23 to the consolidated financial statements on pages 92 to 93.

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practice. Information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 33 to 39.

Sufficiency of public float

According to information that is publicly available to the Company and within the knowledge of the Board, as at 31 December 2010, the Company has maintained sufficient public float as required under the Hong Kong Listing Rules.

Connected transactions

The Group entered into the raw materials purchase agreement and the recyclable container sales agreement (the "Connected Transactions Agreement") with certain companies controlled by Mr. Zhu Xinli, the ultimate controlling shareholder of the Group in connection with listing of the Shares of the Company on the Hong Kong Stock Exchange in 2007. Such agreement was subsequently supplemented and revised in 2008 and 2009 due to the increased demand of the Group.

In view of the long-established relationship between the Group and such parties under the Connected Transactions Agreement, the reliability of a steady supply of good quality production materials from such parties and the ease of delivery and transportation offered by them, the Company and each of the parties under the Connected Transaction Agreement entered into another raw materials purchase and recyclable containers sales agreement on 19 November 2010 upon expiry of such agreement to renew (a) the purchase of raw materials from; and (b) the sale of used and recyclable containers to them and their respective associates and to provide new caps for such transactions in respect of three years ending 31 December 2011, 2012 and 2013, respectively, which have been approved by the shareholders at the extraordinary general meeting of the Company held on 16 December 2010.

The aggregate amount of each of the raw materials purchase and the recyclable container sales for the year ended 31 December 2010 and the respective annual cap under the Connected Transaction Agreement are set out below:

1. Raw materials purchase

Purchase item	**Aggregate Amount (RMB)**	**Annual Cap (RMB)**
Juice concentrates, fruit purees and fructose	561,586,000	908,200,000
External packaging materials	220,382,000	225,420,000
Total	781,968,000	1,133,620,000

2. Recyclable container sales

Sales item	Aggregate Amount (RMB)	Annual Cap (RMB)
Recyclable container	37,073,000	109,750,000

The independent non-executive directors have confirmed that the continuing connected transactions under the Connected Transaction Agreement:

(a) had been entered into in the ordinary course of the Group's business;

(b) had been entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 14A.38 of the Hong Kong Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors and made confirmation in accordance with Rule 14A.38.

Related parties transactions

The Group is also involved in a number of related party transactions during the year ended 31 December 2010, which have been disclosed in note 40 to the consolidated financial statements on pages 104 to 106.

Non-competition Deed

As disclosed in the Prospectus, the independent non-executive directors will review, on an annual basis, (i) the compliance by Mr. Zhu Xinli, the controlling shareholder of the Company, and his associates with the non-competition undertakings under the Non-competition Deed (as defined in the Prospectus); and (ii) all the decisions taken in relation to whether to exercise the option pursuant to the Non-competition Deed and whether to pursue any business opportunities which may be referred or offered to the Company by Mr. Zhu Xinli and his associates pursuant to the Non-competition Deed. The independent non-executive directors have conducted such review for the year ended 31 December 2010 and found that the Non-competition Deed has been fully complied.

Charitable donations

During the year ended 31 December 2010, the Group made charitable donations amounting to approximately RMB2,321,000.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2010 has been reviewed by the Financial Management and Audit Committee. Information on the work of the Financial Management and Audit Committee and its composition are set out in the Corporate Governance Report on pages 33 to 39.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the board

ZHU Xinli
Chairman

Beijing, 21 March, 2011

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practice for enhancing accountability and transparency of the Company to the investors and the shareholders. During the year ended 31 December 2010, the Company has complied with the principles set out in the "Code of Corporate Governance Practices" (the "**Corporate Governance Code**") as contained in Appendix 14 of the Hong Kong Listing Rules except for the deviation set out in the section headed "The Chairman and the Chief Executive Officer" in this report.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 of the Hong Kong Listing Rules as the standards for the directors' dealings in the securities of the Company. Having made specific enquiry of all directors, the Company confirms that the directors of the Company complied with the required standard set out in the Model Code for the year ended 31 December 2010.

Board of directors

Board responsibilities

The Board is responsible for the overall management of the Company, including establishing and overseeing the Company's strategic development, business plans, financial objectives, capital investments proposals and assumes the responsibilities of corporate governance of the Company.

The Board may from time to time delegate all or any of its powers that it may think fit to a director or member of senior management of the Company. The Board has formulated clear and specific rules and policies on such delegation of power to facilitate efficient operation of the Company and is supported by three committees, which are the Remuneration and Nomination Committee, the Financial Management and Audit Committee and the Strategy and Development Committee.

Board members

The Board, as at the date of this report, consists of eight directors, including three executive directors, one non-executive director and four independent non-executive directors:

Executive directors

Mr. ZHU Xinli *(Chairman)*
Mr. JIANG Xu
Mr. LEE Wen-chieh

Non-executive directors

Mr. Andrew Y. YAN

Independent non-executive directors
Mr. WANG Bing
Ms. ZHAO Yali
Mr. SONG Quanhou
Mr. QI Daqing

The details of the directors' biographical information are contained in the section headed "Directors and Senior Management" of this annual report.

There is no financial, business, family or other material/relevant relationships among the directors of the Company.

Independent non-executive directors

More than one-third of the members of the Board are independent non-executive directors, which exceeds the minimum requirement under the Hong Kong Listing Rules. Mr. QI Daqing, an independent non-executive director, has appropriate financial management expertise in compliance with Rule 3.10 of the Hong Kong Listing Rules. The Company has received an annual confirmation from each of the independent non-executive directors on their respective independence pursuant to Rule 3.13 of the Hong Kong Listing Rules and considers that each of them to be independent.

Terms

All of the non-executive and independent non-executive directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company and any applicable laws, and subject to retirement by rotation at the annual general meeting of the Company once every three years in accordance with the articles of association.

Board meetings

Notices for regular board meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the directors can put forward his proposed items into the agenda. The agenda and the relevant board papers are then circulated to the directors 3 days before a Board meeting to enable them to make informed decisions at the meeting. Drafts of the Board minutes and Board committee meeting minutes are circulated to the directors and the relevant Board committee members respectively for their review before finalization, and the final version of these minutes are kept by the company secretary of the Company and are available for inspection by the Board and auditor of the Company.

Every director is entitled to have access to Board papers and relevant materials and have unrestricted access to advice and services of the company secretary, and is able to seek independent professional advice as and when required at the Company's expense.

Attendance

A1.1 of the Corporate Governance Code stipulates that the board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the reporting year, the Board convened a total of 8 Board meetings and 3, 3 and 1 meetings for each of the Remuneration and Nomination Committee, the Financial Management and Audit Committee and the Strategy and Development Committee, based on the need of the operation and business development of the Company. Details of attendance are as follows:

Name[1]	Board meetings	Board committee meetings: Remuneration and Nomination Committee	Financial Management and Audit Committee	Strategy and Development Committee
	(Times of attendance in person/times of meeting)[1]			
Executive directors				
ZHU Xinli *(Chairman)*	7/8	N/A	N/A	1/1
JIANG Xu	8/8	N/A	N/A	N/A
WU Chungkuan[2]	N/A	N/A	N/A	N/A
LEE Wen-chieh[2]	8/8	N/A	N/A	N/A
Non-executive directors				
QIN Peng[3]	3/8	1/3	N/A	N/A
Andrew Y. YAN[3]	4/8	2/3	N/A	1/1
Independent non-executive directors				
WANG Bing	8/8	2/3	3/3	N/A
ZHAO Yali	8/8	N/A	N/A	1/1
TSUI Yiu Wa, Alec[4]	1/8	1/3	1/3	N/A
SONG Quanhou	8/8	N/A	3/3	1/1
QI Daqing[4]	5/8	2/3	2/3	N/A

Note:

1. Directors who did not attend the meeting in person have entrusted other directors to attend and vote on his/her behalf at the meeting.

2. Mr. WU Chungkuan resigned as an executive director of the Company effective from 18 March 2010. Mr. LEE Wen-chieh was appointed as an executive director of the Company on the same day.

3. Mr. QIN Peng resigned as a non-executive director of the Company effective from 28 July 2010. Mr. Andrew Y YAN was appointed as a non-executive director of the Company on the same day.

4. Mr. TSUI Yiu Wa, Alec resigned as an independent non-executive director of the Company effective from 13 July 2010. Mr. Qi Daqing was appointed as an independent non-executive director of the Company on the same day.

The Chairman and the Chief Executive Officer

The positions of the chairman of the Board and the president (i.e., the chief executive officer) of the Company are held by Mr. Zhu Xinli. Although this deviates from the practice in A.2.1 of the Corporate Governance Code where the two positions should be held by different individuals, Mr. Zhu has considerable and extensive experience in the juice and beverage industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the industry.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure.

Board committees

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of a non-executive director and two independent non-executive directors, namely the non-executive director, Mr. Andrew Y. Yan, and the independent non-executive directors, Mr. Wang Bing and Mr. Qi Daqing. Mr. Yan is the chairman of the Remuneration and Nomination Committee.

The primary functions of the Remuneration and Nomination Committee are to:

(a) make recommendations to the Board on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

(b) determine terms of specific remuneration package for executive directors and senior management;

(c) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;

(d) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and

(e) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships.

At the meetings held during the reporting year, the Remuneration and Nomination Committee has reviewed the directors' fees in terms of the corporate and individual performance, the employment terms of the management staff within the Group, the employee share option to be granted and assessed the nominations of the new directors.

Financial Management and Audit Committee

The Financial Management and Audit Committee consists of three independent non-executive directors, namely the independent non-executive directors, Mr. Qi Daqing, Mr. Wang Bing and Mr. Song Quanhou. Mr. Qi, who has the relevant financial management expertise, is the chairman of the Financial Management and Audit Committee.

The primary functions of the Financial Management and Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditor and provide advice and comments to the Board. During the year, the Financial Management and Audit Committee convened 3 meetings. All solutions passed at the meetings were duly recorded and retained.

Major work completed by the Financial Management and Audit Committee during the year includes:

- Reviewing the Group's interim and annual report;
- Reviewing accounting policies adopted by the Group and issues related to accounting practice;
- Supervising internal auditing of the Group;
- Assisting the Board to evaluate on the effectiveness of financial reporting procedure and internal control system;
- Advice on material events or draw the attention of management on related risks.

Strategy and Development Committee

The Strategy and Development Committee consists of an executive director, an independent non-executive director and a non-executive director, namely the executive director, Mr. Zhu Xinli, the non-executive director, Mr. Andrew Y. Yan and the independent non-executive director, Ms. Zhao Yali. Mr. Zhu is the chairman of the Strategy and Development Committee. The primary functions of the Strategy and Development Committee are to:

(a) review and formulate the strategic positioning and development plans of the Company on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) review and formulate strategies for market development and operation of the Company on a regular basis and make recommendations to the Board regarding any proposed changes; and

(c) review strategies of the Company on its material projects, business expansion, capital expenditure, asset restructuring and operation and make recommendations to the Board regarding any proposed changes.

At the meetings held during the reporting year, the Strategy and Development Committee has reviewed the three year strategy plan and evaluated the merger and acquisition plan of the Group.

Accountability and audit

Auditor's remuneration

The remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, during the year ended 31 December 2010 in relation to non-audit assurance service and audit service are RMB2,380,000 and RMB4,280,000, respectively.

Directors' responsibilities for financial statements

The directors acknowledge their responsibility for preparing the financial statements of the Company, and for ensuring that the financial statements are prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's statement

The statement of the Company's auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended 31 December 2010 is set out on pages 45 and 46.

Internal control and risk management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the shareholders' interest. The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Financial Management and Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Financial Management and Audit Committee works with the Group's internal audit department to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Financial Management and Audit Committee. The Group's internal audit department, reports its findings and recommendations for any corrective action required to the Financial Management and Audit Committee. The Financial Management and Audit Committee reviews the reports submitted by the internal audit department and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

The internal audit department conducted an examination on various material control aspects during the year including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Financial Management and Audit Committee for review and the findings and recommendations were discussed at the committee meetings. The significant findings have been remediated by the management of the Company.

Investor relations

The Board values the importance of communications with the shareholders. The annual general meeting ("AGM") of the Company held on 8 June 2010 was an important occasion for the Board and the shareholders to communicate directly with each other. The chairmen of the Board and the Board committees and the external auditor were present at the AGM to communicate with the shareholders. The AGM circular distributed to all shareholders before the AGM contained information regarding the proposed resolutions on each substantially separate issue. In addition, the Company has announced its annual and interim results in a timely manner in accordance with the requirements of the Hong Kong Listing Rules.

Directors and Senior Management

Executive Directors

Mr. ZHU Xinli (朱新禮)

aged 59, is the chairman of the Board and the founder of the Group. He is also the president of the Group. With over 19 years' experience in juice and beverage industry, he is primarily responsible for our Group's overall strategic planning and business management. He has pursued CEO courses in China Europe International Business School, Cheung Kong Graduate School of Business and Stanford College. He has been engaged as a visiting professor by China Agricultural University, Nankai University and the Chinese Academy of Agricultural Sciences since 2001. He has 30 years' experience in enterprise operation and management. Before founding our Group in 1992, he had worked as the deputy director of the foreign economic and trade department of Yiyuan County, Shandong Province. He is an executive deputy chairman of the board of the Association of Chinese Beverage Industry and the deputy director of its Juice Division. He received the Award for Prominent Contribution to Chinese Beverage Industry in 2003, the honor of National Labor Model in 2005 and the CCTV Annual Economic Figures, Agricultural Figures in China's 30-year Reform and Opening up and Top Ten Outstanding Leaders in Light Industry during 30-year Reform in 2008. He was appointed as the chairman and a director of the Board in September 2006. He is the father of Ms. Zhu Shengqin.

Mr. JIANG Xu (江旭)

aged 49, is an executive director of the Board. He is also a vice president of the Group. He has 13 years' experience in juice and beverage production, sales and marketing. Since joining us in March 1997, he had held various positions, including the general manager of Beijing Huiyuan Beverage & Food Group Co., Ltd., the general manager of our sales in North East China region and the vice president of Beijing Huiyuan Beverage & Food Group Co., Ltd.. He has resigned from all directorships in Beijing Huiyuan Beverage & Food Group Co., Ltd. and the companies controlled by it. He was appointed as a director of the Board in September 2006.

Mr. LEE Wen-chieh (李文杰)

aged 51, currently is a vice president of the Company in charge of sales of the juice marketing department. He holds a Master degree in Business Administration. He has 19 years' experience in sales, marketing and operation in beverage industry. Before joining the Group in November 2009, he worked with Uni-President Enterprises Corporation from 1985 to 2005 serving as, among others, business unit manager and general manager at its various subsidiaries. He was a sales and marketing director of the Group from 2005 to 2006. During the period from 2006 to 2009, he was the general manger of Beijing Uni-President Food Co., Ltd. and Foshan Sanshui Jianlibao Trading Co., Ltd. He was appointed as a director of the Board in March 2010.

Non-executive Directors

Mr. Andrew Y. YAN (閻焱)

aged 53, joined SAIF Partners in 2001 and is currently the managing partner of SAIF Partners. Mr. Yan holds a Master's degree in International Political Economy from Princeton University and a Bachelor's degree in Airplane Design from the Nanjing Aeronautics Institution (now the Nanjing University of Aeronautics and Astronautics). Mr. Yan is currently the independent non-executive director of China Resources Land Ltd. and Fosun International Ltd., both of which are listed on the Hong Kong Stock Exchange. He is also the non-executive director of Digital China Holdings Ltd., MOBI Development Ltd. and NVC Lighting Holdings Ltd., all of which are listed on the Hong Kong Stock Exchange. Furthermore, Mr. Yan is the director of Acorn International (listed on the New York Stock Exchange), ATA Inc., Global Education & Technology Group Ltd. (listed on the NASDAQ Global Market), Eternal Asia Supply Chain Management Ltd. (listed on the Shenzhen Stock Exchange), as well as the independent director of Giant Interactive Group Inc. (listed on the New York Stock Exchange). Previously, Mr. Yan held the position of an independent non-executive director of Stone Group Holdings (listed on the Hong Kong Stock Exchange) from 2001 to 2009 and China Oilfield Services Ltd. (listed on the Hong Kong Stock Exchange) from 2002 to 2009. He was also the director of Shanda Interactive Entertainment Ltd. (listed on the NASDAQ Global Market) from 2003 to 2005 and the director of China Digital TV Holdings Co., Ltd. (listed on the New York Stock Exchange) from 2004 to 2008. Mr. Yan was independent director of Eastern Communications Co., Ltd. (listed on the Shanghai Stock Exchange) from 2003 to 2006. He was appointed as a non-executive director of the Board in July 2010.

Independent Non-executive Directors

Mr. WANG Bing (王兵)

aged 43, is an independent non-executive director of the Board. He holds a Bachelor degree in Economics and a Master degree in Business Administration. He is currently the chief executive officer and the chairman of the Board of Dingtian Asset Management Co., Ltd.. Furthermore, Mr. Wang is the independent director of Beijing Vantone Real Estate Co., Ltd. and Huayi Bros. Media Group. He has over 20 years' experience in investment banking, operations in capital markets and financial management. He was appointed as an independent non-executive director of the Board in September 2006.

Ms. ZHAO Yali (趙亞利)

aged 53, is an independent non-executive director of the Board. She holds a Bachelor degree from Tianjin Light Industry College and is a professor-grade senior engineer. She is the head and executive committee member of China Light Industry Federation. Her current titles in various associations include the chairman of China Beverage Industry Association and the chairman of its juice sub-committee, the member of Examination Committee on National Standards of Food Safety Examination Committee and the chairman of Technical Committee 472 on Beverage of Standardization Administration of China. In addition, she was an independent director of Guotou Zhonglu Juice Corporation, a company listed on the Shanghai Stock Exchange. She was appointed as an independent non-executive director of the Board in September 2006.

Mr. QI Daqing (齊大慶)

aged 47, he received his Ph.D. in Accounting from Eli Broad Graduate School of Management of Michigan State University. He also holds MBA degree from University of Hawaii and holds BS in biophysics and BA in international journalism from Fudan University. He worked for Chinese University of Hong Kong, Eli Broad Graduate School of Management in Michigan State University, East-West Center in USA and New China (Xinhua) News Agency in China. He is a Professor of Accounting and Associate Dean at Cheung Kong Graduate School of Business (CKGSB) and a member of the American Accounting Association. Dr. Qi also serves on the board of directors of Sohu.com Inc., Bona Film Group Limited, AutoNavi Holdings Limited and Focus Media Holding Limited (listed on the NASDAQ Global Market), DAQQ New Energies Corp (listed on the New York Stock Exchange), Honghua Group Limited and SinoMedia Holding Limited, (both listed on the Hong Kong Stock Exchange), China Vanke Co.,Ltd. (listed on the Shenzhen Stock Exchange). He was appointed as independent non-executive director of the Company in July 2010.

Mr. SONG Quanhou (宋全厚)

aged 49, is an independent non-executive director of the Board. He holds a Master degree in food engineering from the former China National Academy of Light Industry and Science. He is a professor-grade senior engineer. He currently acts as a Deputy Director of China National Research Institute of Food and Fermentation Industries (CNRIFFI). He has been actively involved in preparing, implementing and enforcing various nationwide food and beverage quality control and testing standards since 1995 and has extensive knowledge and experience in China's food and beverage industry. He has also been actively involved in or responsible for various research projects in food and beverage quality control and testing sponsored by the PRC government, international organizations or enterprises. He was appointed as an independent non-executive director of the Board in January 2007.

Senior Management

Mr. ZHU Xinli (朱新禮)

is the chairman of the Board and the president of the Group. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. JIANG Xu (江旭)

is a vice president of the Group. He is also an executive director of the Board. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. LEE Wen-chieh (李文杰)

is a vice president of the Group. He is also an executive director of the Board. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. ZHAO Jinlin (趙金林)

aged 56, is a party committee secretary of the Group in charge of administration. Before joining the Company in 1998, he had served in the People's Liberation Army for more than 25 years. He has over 10 years' extensive experience in human resources, crisis public relationship and corporate culture management.

Ms. ZHU Shengqin (朱聖琴)

aged 35, is a vice president of the Group. She holds an EMBA degree from Cheung Kong Graduate School of Business. Since joining the Company in 1996, she has held various positions, including the marketing manager, chief advertising director, investment vice president and director of the office to the board of directors. She was the team leader in the Company's undertaking major marketing campaigns with CCTV, MTV and the China Team in "America's Cup" sailing competition. She was instrumental in introducing strategic and financial investors, such as the Danone Group of France and Warburg Pincus LLC of the USA in 2006 and SAIF III GP Capital Ltd in 2010. She has made substantial contribution to the Group's global offering and listing on the Hong Kong Stock Exchange in February 2007. She is an important member of the management team of the Group and fully in charge of the operation team. She is a daughter of Mr. Zhu Xinli.

Ms. YU Hongli (于洪莉)

aged 42, is a vice president of the Group, in charge of production management and concurrently managing the beverage marketing department. She joined the Company in 2000 and has held various positions, including the Group's chief director of human resources, general manager of the Group's plant at Shunyi, the regional general manager for Huabei region and Jinji region. She has extensive experiences in human resources, production management and sales.

Ms. REN Hongfeng (任洪鳳)

aged 39, is a vice president of the Group fully in charge of the children nutrition drink department and concurrently in charge of the international business. She joined the Company in 1992 and has held various positions, including the Group's international business controller, the procurement controller and the general manager of the Hubei sales area. She has 9 years' experience in international trade and 4 years' experience in juice and beverage production, sales and marketing management. She is a member of the 10th CPPCC Committee of Hubei.

Mr. DENG Xueliang (鄧學良)

aged 38, is a vice president of the Group in charge of sales management of the special supply department. He has 15 years' experience in human resources, production and marketing in fruit and vegetable juice and beverage industry. Before joining the Group in 1999, he served Xiamen Huierkang Food & Beverage Group Limited from 1997 to 1998. Since 1999, he has held various positions within the Group including the assistant to general manager of the Group's plant at Shunyi, the manager of the Group's human resources department, the general manager of Beijing Huiyuan Group Kaifeng Co., Ltd., the regional general manager of Henan region.

Mr. ZHOU Hongwei (周紅衛)

aged 39, is a vice president of the Group in charge of the Company's cost verification, fund allocation and expenses and order center of the headquarters. He joined the Company in 1997 and has held various positions, including the financial manager and general manager of Beijing Huiyuan Group Kaifeng Co., Ltd.. the general manager of Henan region and Huazhong region, the chief production officer, financial controller, assistant to the president of the Group. He has extensive experiences in production, sales and financial management.

Ms. SHI Xiuping (史秀平)

aged 35, is a vice president of the Group in charge of managing sales branches. She graduated from Economic Management College of Party School of the Central Committee of CPC. She joined the Company in 2003 and served as various positions, including manager and chief director and vice president of the human resources department. She has received training provided for senior managers of human resource management in the China Europe International Business School. She has been awarded various honors for her superior work performance, including the Woman Pace-setter (三八紅旗手) of Beijing City and the Heroine awarded by All China Federation of Trade Unions. She has 7 years of management and practical experience in human resources.

Mr. GAO Yanxiang (高彥祥)

aged 50, is a vice president of the Group in charge of R&D. He holds a Ph.D. degree in food science and engineering. Before joining the Group in 2000, he was an associate professor in Tianjin University of Science and Technology and was engaged in teaching and research. He had worked as a manager in beverage companies for 3 years. He is also a member of the Technology Committee of China Beverage Industry Association and the Technology Committee of International Federation of Fruit Juice Producers. He was awarded as "An Excellent Scientist for 2003" by China Beverage Industry Association in 2003.

Mr. DONG Ying (董穎)

aged 42, is the financial controller of the Group. He holds a Bachelor degree in Engineering (cum a diploma in business administration) from East China University of Science and Technology. He is a member of the American Institute of Certified Public Accountants and California Society of Certified Public Accountants and a PRC Registered Public Accountant with qualification in securities business. He has 13 years' experience in auditing, risk management and internal control. Before joining the Group in September 2006, he had worked in the assurance department and the system and process assurance department in PricewaterhouseCoopers since 1994.

Ms. MA Sau Kuen Gloria (馬秀絹)

aged 52, is the company secretary of the Company. Ms. Ma is a director and head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on The Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and the British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

羅兵咸永道會計師事務所

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Independent Auditor's Report
To the shareholders of China Huiyuan Juice Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Huiyuan Juice Group Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 47 to 106, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2011

Consolidated Balance Sheet

As at 31 December 2010

		As at 31 December	
	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	563,514	494,085
Property, plant & equipment	8	5,478,331	3,298,486
Intangible assets	9	477,872	498,058
Deferred tax assets	12	54,765	35,760
Long-term receivables		5,219	10,483
Total non-current assets		6,579,701	4,336,872
Current assets			
Inventories	14	1,068,625	988,578
Trade and other receivables	13	1,009,732	933,377
Other loans and receivables	11	—	64,300
Restricted cash	15	150,888	32,054
Cash and cash equivalents	16	191,983	717,442
Total current assets		2,421,228	2,735,751
Total assets		9,000,929	7,072,623
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	115	114
Share premium	17	3,776,401	3,716,982
Other reserves	19	231,593	168,235
Retained earnings			
— Proposed final dividend	36	48,772	58,753
— Others	18	955,519	864,889
Total equity		5,012,400	4,808,973

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	1,572,571	285,299
Deferred government grants	24	64,752	64,003
Long-term payable for land use rights	25	6,662	7,873
Long-term payable for license fee		1,325	2,730
Convertible Bonds	26	—	698,233
Total non-current liabilities		1,645,310	1,058,138
Current liabilities			
Trade and other payables	22	913,979	735,185
Taxation payable		57,282	32,076
Deferred revenue		18,460	35,003
Convertible Bonds	26	605,249	—
Borrowings	23	748,249	403,248
Total current liabilities		2,343,219	1,205,512
Total liabilities		3,988,529	2,263,650
Total equity and liabilities		9,000,929	7,072,623
Net current assets		78,009	1,530,239
Total assets less current liabilities		6,657,710	5,867,111

Director *Director*

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10(a)	10,958,926	9,899,785
Loans to subsidiaries	10(b)	703,836	566,034
Total non-current assets		11,662,762	10,465,819
Current assets			
Trade and other receivables		1,854	2,035
Cash and cash equivalents	16	22,653	14,463
Total current assets		24,507	16,498
Total assets		11,687,269	10,482,317
EQUITY			
Equity attributable to owners of the parent			
Ordinary shares	17	115	114
Share premium	17	3,776,401	3,716,982
Other reserves	19	4,958,295	4,953,755
Retained earnings			
— Proposed final dividend	36	48,772	58,753
— Others	18	397,285	397,817
Total equity		9,180,868	9,127,421
LIABILITIES			
Non-current liabilities			
Borrowings	23	1,522,789	285,299
Convertible Bonds	26	—	698,233
Total non-current liabilities		1,522,789	983,532
Current liabilities			
Trade and other payables	22	196,113	24,116
Borrowing	23	182,250	347,248
Convertible Bonds	26	605,249	—
Total current liabilities		983,612	371,364
Total liabilities		2,506,401	1,354,896
Total equity and liabilities		11,687,269	10,482,317
Net current liabilities		(959,105)	(354,886)
Total assets less current liabilities		10,703,657	10,110,953

Director *Director*

The notes on pages 53 to 106 are an integral part of this financial statement.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	6	**3,707,954**	2,832,627
Cost of sales	29	**(2,345,999)**	(1,812,048)
Gross profit		**1,361,955**	1,020,579
Other income — net	27	**164,298**	28,895
Other losses — net	28	**—**	(630)
Selling and marketing expenses	29	**(1,044,559)**	(845,885)
Administrative expenses	29	**(304,361)**	(283,654)
Finance cost	31	**(84,018)**	(63,625)
Finance income	32	**72,747**	8,309
Unrealised gain from change of fair value of Convertible Bonds	26	**65,875**	400,621
Profit before income tax		**231,937**	264,610
Income tax expense	33	**(33,651)**	(31,136)
Profit for the year		**198,286**	233,474
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**198,286**	233,474
Attributable to:			
Equity holders of the Company		**198,286**	233,474
Earnings/(losses) per share for profit attributable to the equity holders of the Company during the year (expressed in RMB cents per share)			
— basic	35	**13.5**	15.9
— diluted	35	**11.2**	(6.9)
Dividends	36	**48,772**	58,753

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2010		114	3,716,982	141,722	26,513	923,642	4,808,973
Comprehensive income							
Profit for the year		–	–	–	–	198,286	198,286
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	198,286	198,286
Transactions with owners							
Profit appropriation to statutory reserves	19	–	–	58,818	–	(58,818)	–
Dividends	36	–	–	–	–	(58,819)	(58,819)
Share-based payment expenses	20, 30	–	–	–	4,540	–	4,540
Shares converted from Convertible Bonds		1	59,419	–	–	–	59,420
Total transactions with owners		1	59,419	58,818	4,540	(117,637)	5,141
Balance at 31 December 2010		115	3,776,401	200,540	31,053	1,004,291	5,012,400
Balance at 1 January 2009		114	3,716,982	122,539	16,759	731,586	4,587,980
Comprehensive income							
Profit for the year		–	–	–	–	233,474	233,474
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	233,474	233,474
Transactions with owners							
Profit appropriation to statutory reserves	19	–	–	19,183	–	(19,183)	–
Dividends	36	–	–	–	–	(22,235)	(22,235)
Share-based payment expenses	20, 30	–	–	–	9,754	–	9,754
Total transactions with owners		–	–	19,183	9,754	(41,418)	(12,481)
Balance at 31 December 2009		114	3,716,982	141,722	26,513	923,642	4,808,973

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	345,951	186,851
Interest paid		(73,496)	(28,753)
Interest received		2,775	14,233
Income tax paid		(27,450)	(35,636)
Cash Flows generated from operating activities — net		247,780	136,695
Cash flows from investing activities			
Business combination		—	(133,837)
Acquisition of a subsidiary		—	17,492
Disposal of a subsidiary		—	151,403
Purchase of property, plant and equipment (PPE)		(2,137,154)	(777,678)
Proceeds from disposal of PPE		5,374	7,560
Purchase of land use rights		(203,737)	(63,301)
Refund of consideration for sales distribution networks		—	10,379
(Increase) /decrease in restricted cash		(118,834)	62,301
Decrease in other loans and receivables		64,300	287,750
Cash Flows used in investing activities — net		(2,390,051)	(437,931)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		2,438,906	56,000
Repayments of borrowings from bank and other financial institution		(761,160)	(307,402)
Redemption of convertible bonds	26	—	(15,891)
Dividends paid to the Company's shareholders	36	(58,819)	(22,235)
Cash flows generated from/(used in) from financing activities — net		1,618,927	(289,528)
Exchange (losses)/gain on cash and cash equivalents		(2,115)	1,585
Net decrease in cash and cash equivalents		(525,459)	(589,179)
Cash and cash equivalents at beginning of the year	16	717,442	1,306,621
Cash and cash equivalents at end of the year	16	191,983	717,442

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

1. General information

China Huiyuan Juice Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and sales of juice beverages in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") which included exchange of shares to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of Huiyuan Beijing Holdings Limited, Huiyuan Shanghai Holdings Limited and Huiyuan Chengdu Holdings Limited (the "BVI Companies"), the then holding companies of all other companies comprising the Group and consequently became the holding company of the Group. The Reorganisation was completed on 23 February 2007.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 23 February 2007.

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 21 March 2011.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. Summary of significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2009, as set out in the annual report of the Group for year ended 31 December 2009, unless otherwise stated.

(a) New and amended standards adopted by the group

The group has adopted the following new and amended IFRS as at 1 January 2010:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard does not have any impact on the group's financial results for the year.

- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard does not have any impact on the group's financial results for the year.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment does not have a material impact on the group's or company's financial statements.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The amendment does not have an impact on the group's or company's financial statements.

3. Summary of significant accounting policies (Continued)

(b) The following amendments and interpretation to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

- IFRS 1 (Revised), 'First-time adoption of IFRSs' (effective on or after 1 July 2009).This is not currently applicable to the group, as it is not a first-time adoption of IFRS.

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement' (effective 1 July 2009). These are not currently applicable to the group, as it has no financial instruments.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for periods beginning on or after 1 July 2009). This is not currently applicable to the group, as it has no investment in a foreign operation.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). This is not currently applicable to the group, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers' (effective for transfer of assets received on or after 1 July 2009). This is not currently applicable to the group, as it has no transfers of assets from customers.

- IAS 38, Additional consequential amendments arising from IFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination (effective for periods beginning on or after 1 July 2009). This is not currently applicable to the group, as it had no business combination during the year.

- IAS 39 (Amendment), 'Eligible hedge items' (effective on or after 1 July 2009). This is not currently applicable to the group, as it has no hedging.

- IAS 1 (amendment), 'Current/non-current classification of convertible instruments' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it has no non-current convertible instruments.

- IFRS 5, Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, Amendment to clarify that IFRS 5, 'Non-current assets held for sale and discontinued operations' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it has neither non-current assets held for sale nor discontinued operations.

- IAS 7, 'Classification of expenditures on unrecognised assets' (effective for periods beginning on or after 1 January 2010. This is not currently applicable to the group, as it has no expenditures on unrecognised assets.

- IFRS 8 'Disclosure of information about segment assets' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it has no segment assets.

- IAS 17 (amendment), 'Leases', (effective for periods beginning on or after 1 January 2010) The amendment is not applicable to the group.

3. Summary of significant accounting policies (Continued)

(b) The following amendments and interpretation to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations: (Continued)

- IAS 39, 'Cash flow hedge accounting' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it has no cash flow hedge.

- IAS 39 'Scope exemption for business combination contracts' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it has no business combination during the year.

- IAS 39 'Treating loan prepayment penalties as closely related derivatives' (effective for periods beginning on or after 1 January 2010). This is not currently applicable to the group, as it did not have loan prepayment penalties.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

- IFRS 9, 'Financial instruments', (effective from 1 January 2013).

- IFRIC — Int 19, 'Extinguishing financial liabilities with equity instruments', (effective from 1 July 2010).

In addition to those disclosed in note 3(c) above, there are a number of amendments and interpretations to the existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the Group's operations. For this reason and as otherwise the disclosures would be of excessive length, they are not disclosed.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3. Summary of significant accounting policies (Continued)

3.1 Consolidation (Continued)

The Group uses the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 3.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. 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.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Renminbi' ('RMB'), which is the Group's functional and presentation currency.

3. Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the applicable exchange rates quoted by the People's Bank of China prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "finance income or cost'". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other losses — net".

3.4 Property, plant and equipment

Property, plant and equipment which consist of buildings, machinery, motor vehicles and furniture and equipment, are stated at historical cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the Group and such cost incremental can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to the consolidated statement of comprehensive income in the period incurred.

Depreciation of assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Machinery	13 years
Motor vehicles	5–8 years
Furniture and office equipment	3–6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3.8).

3. Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

3.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

3.6 Barter transactions

When goods are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods given up, adjusted by the amount of any cash or cash equivalents transferred.

3.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. (Note 3.8).

3. Summary of significant accounting policies (Continued)

3.7 Intangible assets (Continued)

(b) Trademarks and computer software licences

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 30 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

(c) License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost comprises the capitalised present value of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license right.

License rights are amortised using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(d) Sales distribution networks

Sales distribution networks acquired directly or acquired in a business combination are recognised at fair value at the acquisition date. The sales distribution networks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the sales distribution networks.

3.8 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and other loans and receivables in the balance sheet (Note 3.11 and 3.12).

3. Summary of significant accounting policies (Continued)

3.9 Financial assets — loans and receivables (Continued)

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 13.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3. Summary of significant accounting policies (Continued)

3.14 Trade payables (Continued)

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

3.16 Convertible bonds

Convertible Bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares are conversion right derivatives. Redemption rights and interest settlement options at the option of holders which are not closely related to the host contract are also embedded derivatives and are accounted together with conversion right as a single derivative. At the date of issue of the Convertible Bonds, the derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of derivative from the fair value of the Convertible Bonds as a whole.

In subsequent periods, the liability component of the Convertible Bonds is carried at amortised cost using the effective interest method. The conversion right derivative is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The liability component and the related embedded derivative of the conversion bond is presented as a separate line item on the face of the balance sheet as non-current liabilities, unless there is any redemption right valid in the next 12 months.

If the bonds are converted, the respective conversion right derivative in the Convertible Bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

3. Summary of significant accounting policies (Continued)

3.17 License fee payables

License fee payables are initially recorded at fair value, which represents the present value of the fixed minimum periodic payments to be made in subsequent years at the time of the acquisition (Note 3.7(c)). They are subsequently stated at amortised cost using the effective interest method less amounts paid.

3.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Summary of significant accounting policies (Continued)

3.19 Employee benefits

(a) *Pension obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the relevant municipal and provincial governments in the PRC. The relevant municipal and provincial government undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) *Other benefits*

Other directors and employee's obligations are recorded as a liability and charged to the consolidated statement of comprehensive income when the Group is continually obliged or when there is a past practice that has created a constructive obligation.

3.20 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the share-based compensation is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted as at the dates of grant, excluding the impact of any non-market vesting conditions (for example, employee's remaining in the entity's employer, performance conditions). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Summary of significant accounting policies (Continued)

3.22 Revenue recognition

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

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectibility of the related receivables is reasonably assured.

(b) Bill and hold sales

When goods delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when the buyer take title, provided:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3.23 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3. Summary of significant accounting policies (Continued)

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income as other income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated statement of comprehensive income as other income on a straight-line basis over the expected lives of the related assets.

4. Financial risk management

4.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk. Financial risk management is carried out by group treasury which identifies, evaluates and hedges financial risk in accordance to policies approved by the Board of Directors.

(a) Foreign exchange risk

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD") and the Euro. The Group is also exposed to foreign currency exchange risk arising from the bank deposits, Convertible Bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in 2010 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2010, assuming the exchange rate of RMB increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for 2010 would have been decreased/increased by RMB16,281,908 (2009: RMB13,867,800), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2010, assuming the exchange rate of RMB increased/decreased by 1% against the Euro with all other variables remaining unchanged, the Group's post-tax profit for 2010 would have been increased/decreased by RMB1,870,134 (2009: RMB3,407,906), mainly due to the foreign exchange gains/losses on retranslation of Euro-denominated prepayments for equipment.

(b) Price risk

The group is exposed to price risk in fair value of convention rights of the Convertible Bonds. A rise of the stock price will be accompanied by an increment of the fair value of the conversion rights which will increase the liability of the Group.

(c) Credit risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected customers, including distributors with long-term relationship and supermarkets signed sales contracts with credit terms. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and past experience. The credit terms are regularly monitored. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the top 5 largest customers was RMB77,443,163 as at 31 December 2010 (2009: RMB68,283,000), representing 20% of the total balance of trade receivables at 31 December 2010 (2009: 20%).

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The table below shows the balances of five major banks at the balance sheet date, all of which are state-owned or listed banks in the Chinese domestic capital markets. The balance represents 91% of the total bank balances at 31 December 2010 (2009: 90%).

Cash and cash equivalents

	2010 RMB'000	2009 RMB'000
Bank of China Limited	85,481	141,665
Bank of Communications Co., Ltd.	49,188	222,663
Standard Chartered Bank	19,768	1,903
Industrial And Commercial Bank of China Limited	10,468	185,642
China Construction Bank	10,161	12,016
	175,066	563,889

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) *Credit risk* (Continued)

In 2010, there are no time deposits denominated in RMB in banks represented as other loans and receivables. In 2009, the balance represented time deposits denominated in RMB with interest rates ranged from 1.71% to 1.98% per annum.

	2010 RMB'000	2009 RMB'000
Shanghai Pudong Development Bank	–	60,000
ABN AMRO Bank	–	4,300
	–	64,300

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Unused proceeds from fund raising through issuance of shares or borrowings will be put in short-term deposits with banks in the PRC. The Group's objective is to maintain adequate cash and cash equivalents and committed credit lines to ensure sufficient and flexible funding is available to the Group.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2010				
Non-current bank borrowings	—	750,776	821,795	—
Current bank borrowings	748,249	—	—	—
Interest payable for bank borrowings	69,985	55,461	10,548	
Convertible bonds	605,249	—	—	—
Trade and other payables	1,161,073	—	—	—
Long term payable for land use right	—	1,333	4,000	1,329
Long term payable for license fee	—	1,325	—	—
At 31 December 2009				
Non-current bank borrowings	—	190,199	95,100	—
Current bank borrowings	403,248	—	—	—
Interest payable for bank borrowings	8,618	3,830	160	—
Convertible bonds	—	698,233	—	—
Trade and other payables	590,974	—	—	—
Long term payable for land use right	—	1,333	4,000	2,540
Long term payable for license fee	—	2,730	—	—
Company				
At 31 December 2010				
Non-current bank borrowings	—	708,776	814,013	—
Current bank borrowings	182,250	—	—	—
Interest payable for bank borrowings	67,648	54,376	10,401	—
Convertible bonds	605,249	—	—	—
Trade and other payables	196,113	—	—	—
At 31 December 2009				
Non-current bank borrowings	—	190,199	95,100	—
Current bank borrowings	347,248	—	—	—
Interest payable for bank borrowings	8,618	3,830	160	—
Convertible bonds	—	698,233	—	—
Trade and other payables	24,116	—	—	—

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(e) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet dates, substantially all of the Group's borrowings were carried at market lending rates.

At 31 December 2010, if interest rates on US dollar-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB667,000 (2009: RMB96,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated both as the total of borrowings and as the total borrowing (including or excluding Convertible Bonds) divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2010, the debt-to-equity ratio was 58.4% (including Convertible Bonds) (2009: 28.7%), and 46.3% (excluding Convertible Bonds) respectively (2009: 14.3%).

4.3 Fair value estimation

The disclosure of fair value measurements is by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Financial risk management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	—	—	75,750	75,750

The fair value of conversion rights of the Convertible Bonds, together with redemption rights and interest settlement option (considered as a single derivative) (the "conversion rights") was valued by estimating the value of the whole bond with and without the conversion feature. As for the change in level 3 instruments for the year ended 31 December 2010, please refer to Note 26.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and impairment assessment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of fair value and value-in-use calculations. These calculations require the use of judgment and estimates.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(b) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of cash-generating unit have been determined based on the higher of fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates (Note 9).

(c) *Useful lives and impairment assessment of sales distribution networks*

The Group's management determines the estimated useful lives and related amortization charges for sales distribution networks. This estimate is based on the estimated churn periods of the customer base and experience in similar business.

Management will increase the amortization charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Sales distribution networks are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of sales distribution networks have been determined based on the higher of fair value and value-in-use calculations. These require the use of judgment and estimates.

(d) *Useful lives of trademarks*

The Group's management determines the estimated useful lives and related amortisation charges for its trademarks. This estimate is based on projected sales of those products associated with the trademark. It could change significantly as a result of competitors' actions as well as changes in customers' taste. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down to the recoverable amount when there is any indication that the carrying amount is not recoverable.

(e) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses these estimates at each balance sheet date.

(f) *Income taxes*

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(g) Provision for impairment of trade receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimates has been changed.

6. Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess the business from a products perspective and the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of the revenue by product category is as follows:

	2010 RMB'000	**2009 RMB'000**
100% juice products	**876,636**	639,180
Nectars	**1,466,810**	1,273,773
Juice drinks	**1,053,698**	774,585
Other beverage products	**310,810**	145,089
	3,707,954	2,832,627

The Group made barter sales of approximately RMB89,003,000 (2009: RMB38,543,000) during the year in exchange for transportation vehicles, refrigerators, other tangible assets and advertising services.

7. Land use rights — Group

	2010 RMB'000	2009 RMB'000
At beginning of year		
Cost	524,723	451,000
Accumulated amortisation	(30,638)	(21,920)
Net book value	494,085	429,080
Representing:		
Opening net book amount	494,085	429,080
Additions	79,969	61,085
Business combination	—	12,638
Amortisation charge (a) (Note 29)	(10,540)	(8,718)
Closing net book amount	563,514	494,085

Land use rights consist of prepaid lease payments for land in the PRC for the remaining period of 22–50 years (2009: for the remaining period of 23–50 years).

The Group is in the process of applying for formal legal title to land use rights amounting to RMB63,170,000 (2009: RMB55,732,465) as at 31 December 2010. Because subsidiaries including Benxi Huiyuan Food & Beverage Co., Ltd., Nanchong Huiyuan Food & Beverage Co., Ltd., and Zhaodong Huiyuan Food & Beverage Co., Ltd. have newly-built facilities or are in as development phase, application for legal title to land use rights will require certain administrative procedures.

(a) Amortisation of land use rights have been charged to the consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Cost of sales	7,484	6,190
Administrative expenses	3,056	2,528
	10,540	8,718

(b) There was no land use right pledged as security for borrowings as at 31 December 2010.

8. Property, plant and equipment — Group

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2009						
Opening net book amount	473,565	1,735,742	37,149	42,161	813,838	3,102,455
Additions	10,851	78,394	34,881	84,635	296,601	505,362
Transfer upon completion	133,488	282,198	5,160	2,529	(423,375)	—
Business combination	32,533	23,034	2,057	157	15,961	73,742
Disposals	(380)	(13,579)	(5,042)	(1,133)	(21,820)	(41,954)
Disposal of a subsidiary	(19,037)	(31,363)	(343)	(116)	(79,880)	(130,739)
Depreciation (a) (Note 29)	(17,864)	(165,320)	(11,160)	(16,036)	—	(210,380)
Closing net book amount	613,156	1,909,106	62,702	112,197	601,325	3,298,486
At 31 December 2009						
Cost	674,194	2,684,844	140,572	154,470	601,325	4,255,405
Accumulated depreciation	(61,038)	(775,738)	(77,870)	(42,273)	—	(956,919)
Net book amount	613,156	1,909,106	62,702	112,197	601,325	3,298,486
Year ended 31 December 2010						
Opening net book amount	613,156	1,909,106	62,702	112,197	601,325	3,298,486
Additions	2,066	39,082	13,967	39,132	2,359,544	2,453,791
Transfer upon completion	88,149	325,361	4,089	47,722	(465,321)	—
Disposals	—	(808)	(2,826)	(774)	—	(4,408)
Depreciation (a) (Note 29)	(22,077)	(202,975)	(13,325)	(31,161)	—	(269,538)
Closing net book amount	681,294	2,069,766	64,607	167,116	2,495,548	5,478,331
At 31 December 2010						
Cost	764,409	3,026,779	153,333	239,931	2,495,548	6,680,000
Accumulated depreciation	(83,115)	(957,013)	(88,726)	(72,815)	—	(1,201,669)
Net book amount	681,294	2,069,766	64,607	167,116	2,495,548	5,478,331

(a) Depreciation expenses have been charged to consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Cost of sales	180,112	166,144
Administrative expenses	57,720	28,866
Selling and marketing expenses	31,706	15,370
	269,538	210,380

(b) Lease rentals amounting to approximately RMB13,246,000 for the year ended 31 December 2010 (2009: RMB7,299,000) relating to the lease of building and machinery are included in the consolidated statement of comprehensive income.

8. Property, plant and equipment — Group (Continued)

(c) There is no Property, plant and equipment of the Group pledged as security for bank borrowings at 31 December 2010 (2009: nil).

(d) There is no buildings as at 31 December 2010 (2009: RMB65,225,000) built on land which the Group is in the process of applying for the land use rights.

9. Intangible assets – Group

	Sales distribution networks RMB'000	Goodwill RMB'000	Trademarks RMB'000	License right RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2009						
Opening net book amount	–	166,067	146,528	4,228	439	317,262
Additions (c)	153,734	–	–	–	120	153,854
Business combination	39,560	–	–	–	–	39,560
Amortisation charge (a) (Note 29)	(5,556)	–	(5,930)	(1,074)	(58)	(12,618)
Closing net book amount	187,738	166,067	140,598	3,154	501	498,058
At 31 December 2009						
Cost	193,294	166,067	177,905	11,863	559	549,688
Accumulated amortisation and impairment (b)	(5,556)	–	(37,307)	(8,709)	(58)	(51,630)
Net book amount	187,738	166,067	140,598	3,154	501	498,058
Year ended 31 December 2010						
Opening net book amount	187,738	166,067	140,598	3,154	501	498,058
Amortisation charge (a) (Note 29)	(13,126)	–	(5,930)	(1,074)	(56)	(20,186)
Closing net book amount	174,612	166,067	134,668	2,080	445	477,872
At 31 December 2010						
Cost	193,294	166,067	177,905	11,863	559	549,688
Accumulated amortisation and impairment (b)	(18,682)	–	(43,237)	(9,783)	(114)	(71,816)
Net book amount	174,612	166,067	134,668	2,080	445	477,872

(a) Amortisation of intangible assets has been charged to “selling and marketing expenses” in the consolidated statement of comprehensive income.

9. Intangible assets – Group (Continued)

(b) Impairment tests for goodwill

The goodwill of RMB166,067,000 was generated from acquisition of certain subsidiaries, all of which are engaged in the production of juice in the PRC. Therefore, these acquired subsidiaries were collectively viewed as one cash-generating unit ("CGU"). The recoverable amount of this CGU is determined based on its fair value less costs to sell. The Group is listed on the Stock Exchange of Hong Kong Limited thus its fair value is equal to its market capitalization. As the stock price per share is greater than the net assets per share as at 31 December 2010, there is no impairment of good will.

The directors are of the view that there was no impairment of goodwill as at 31 December 2010.

(c) Sales distribution networks

The Group paid RMB164 million to acquire certain sales distribution networks from certain major distributors in May 2008. The Group decided to terminate purchase agreements of two distributors and initiate an new agreement with another distributor in the second half of 2008, which resulted in a decrease of the total consideration from RMB164 million to RMB154 million. This consideration was determined based on the fair value determined by an independent qualified valuer.

In addition, on 27 July 2009, Shandong Xinming Food & Beverage Co., Ltd. ("Xinming Beverage") a wholly-owned subsidiary of the Company entered into an assets transfer agreement with Shandong Zibo Huiyuan Food & Beverage Co., Ltd. ("Zibo Huiyuan"), a related party, relating to acquisition of a business which manufactures and sells milk beverage. This transaction has been completed by end of September 2009. Besides tangible assets and related liabilities, sales distribution networks amounting RMB39,560,000 identified during this acquisition transaction.

The balance is amortised over the expected useful lives of the sales distribution networks.

10. Investments in and loans to subsidiaries

(a) Investments in subsidiaries

	Company	
	2010	**2009**
	RMB'000	**RMB'000**
Unlisted equity investments, at cost:	**10,958,926**	9,899,785

10. Investments in and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries at 31 December 2010:

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Directly held				
Huiyuan Beijing Holdings Limited	The British Virgin Islands (the "BVI")	Investment holdings	US$50,000 (US$1 Per ordinary Share)	100%
Huiyuan Shanghai Holdings Limited	The BVI	Investment holdings	US$50,000 (US$1 Per ordinary Share)	100%
Huiyuan Chengdu Holdings Limited	The BVI	Investment holdings	US$50,000 (US$1 Per ordinary Share)	100%
Indirectly held				
[1]Beijing Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Beijing Huiyuan Group Huanggang Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB300,000,000	100%
[1]Beijing Huiyuan Group Kaifeng Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Harbin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Jiujiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB250,000,000	100%
[1]Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Shanghai Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Beijing Xinyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Luzhong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$50,000,000	100%
[1]Xinjiang Huiyan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB20,000,000	100%
[1]Hebei Huiyuan Food & Berverage Co., Ltd	The PRC	Manufacture of fruit and vegetable juices	RMB80,000,000	100%
[1]Qiqihaer Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Jilin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Jinzhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,990,000	100%
[1]Jiangxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,000,000	100%
[1]Guilin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Shanxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Anhui Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,800,000	100%
[1]Dezhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Jiangsu Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$13,000,000	100%
[1]Yanbian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%

10. Investments in and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of the subsidiaries at 31 December 2010 (continued):

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Indirectly held (continued)				
[1]Shandong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$12,000,000	100%
[1]Beijing Huiyuan biotechnology Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Benxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB80,000,000	100%
[1]Dangshan Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]Zhongxiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Beijing Tongchenghongye Trading Co., Ltd	The PRC	Marketing & sales of fruit and vegetable juices	RMB100,000	100%
[1]Shandong Shengshuiyu Mineral Water Co., Ltd	The PRC	Manufacture of mineral water	RMB20,000,000	100%
[1]Ningxia Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Suqian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Shandong Xinming Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of milk and dairy drinks	US$22,000,000	100%
[1]Shaanxi Yanglin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB120,000,000	100%
[1]Shandong Yuanda Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$8,000,000	100%
[1]Nanchong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Hengshui Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yuncheng Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Zhaodong Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yongchun Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yunhe Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	US$30,000,000	100%
[1]Beijing Huiyuan Potable Water Co., Ltd. *	The PRC	Sales of potable water	RMB3,000,000	100%

[1] The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

* These subsidiaries were newly established during the year of 2010, the registered capital of which amounted to USD90,000,000 and RMB3,000,000.

(b) Loans to subsidiaries

The loans to subsidiaries are unsecured, interest free, denominated in USD and EUR, and repayable over one year. The fair value of loans to subsidiaries is RMB615,378,000 (2009: RMB563,378,000), which is based on cash flows discounted using a rate based on the borrowing rate of 3.77% per annum (2009: 1.58% per annum). The discounted rate equals to LIBOR plus a margin depending on credit rating.

11. Other loans and receivables — Group

	2010 RMB'000	2009 RMB'000
Time deposits	—	64,300

In 2010, there are no time deposits denominated in RMB in banks represented as other loans and receivables. In 2009, the deposits are carried at amortised cost using the effective interest method, and the balance represented time deposits denominated in RMB with interest rates ranged from 1.71% to 1.98% per annum.

Other loans and receivables are presented within "investing activities" as part of changes in the cash flow statement.

12. Deferred tax assets — Group

	2010 RMB'000	2009 RMB'000
Tax losses	29,523	6,088
Amortisation of trademark	7,917	8,264
Government grants received	4,741	5,193
Unrealised profit	3,585	4,590
Provision for impairment of inventories	3,370	3,370
Provision for impairment of property, plant and equipment	—	1,784
Provision for impairment of receivables	527	514
Other temporary differences	5,102	5,957
	54,765	35,760

The analysis of deferred tax assets is as follows:

	2010 RMB'000	2009 RMB'000
— Deferred tax asset to be recovered after more than 12 months	6,453	28,477
— Deferred tax asset to be recovered within 12 months	48,312	7,283

The gross movement on the deferred income tax account is as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	35,760	31,070
Consolidated statement of comprehensive income charge (note 33)	19,005	4,690
At 31 December	54,765	35,760

12. Deferred tax assets — Group (Continued)

The movement in deferred tax assets is as follows:

	Provisions RMB'000	Deferred government grants RMB'000	Amortisation of trademark RMB'000	Tax losses RMB'000	Unrealised Profit RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	6,108	5,510	8,611	7,610	819	2,412	31,070
Credited/(Charged) to the consolidated statement of comprehensive income	(440)	(317)	(347)	(1,522)	3,771	3,545	4,690
At 31 December 2009	**5,668**	**5,193**	**8,264**	**6,088**	**4,590**	**5,957**	**35,760**
Credited/(Charged) to the consolidated statement of comprehensive income	(1,771)	(452)	(347)	23,435	(1,005)	(855)	19,005
At 31 December 2010	**3,897**	**4,741**	**7,917**	**29,523**	**3,585**	**5,102**	**54,765**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB25,120,000 (2009: RMB21,472,000) in respect of losses amounting to RMB100,480,000 (2009: RMB85,887,000) that can be carried forward against future taxable income. Losses amounting to RMB22,615,000 (2009: RMB10,566,000) and RMB234,325,000 (2009: RMB176,744,000) will expire in 2011 and the year after 2011 respectively.

Deferred income tax liabilities of RMB59,168,000 (2009: RMB51,349,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings, totalling RMB591,678,000 at 31 December 2010 (2009: RMB513,490,000), of certain subsidiaries in the PRC. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 December 2010 and 2009 since the Group has no plan to distribute such profits in the foreseeable future.

13. Trade and other receivables – Group

	2010 RMB'000	2009 RMB'000
Trade receivables	392,238	333,587
Related parties (a) (Note 40(c))	1,242	2,055
Third parties (a)	407,414	347,950
Less: Provision for impairment of receivables (a)	(16,418)	(16,418)
Bills receivable — third parties (b)	45,642	40,495
Prepayments of raw materials and others	508,776	524,605
Related parties (Note 40(c))	—	15,285
Third parties	508,776	509,320
Other receivables	63,076	34,690
Related parties (Note 40(c))	47,365	18,639
Third parties	15,711	16,051
	1,009,732	933,377

The carrying amounts of receivables approximate their fair values.

(a) Credit risk with respect to trade receivables is not significant, as the Group has a large number of customers, which are widely dispersed within the PRC. Except for sales to selected long-term distributors and supermarkets which are settled within the credit terms as agreed in sales contracts, the majority of the Group's sales are settled in cash or by cheque on delivery of goods. The remaining amounts are with credit terms of 90–180 days. As at 31 December 2010 and 2009, the ageing analysis of the trade receivables was as follows:

— Third parties

	2010 RMB'000	2009 RMB'000
Within 3 months	312,239	307,156
Between 4 and 6 months	64,502	21,353
Between 7 and 12 months	13,193	7,515
Between 1 and 2 years	16,160	11,926
Over 2 years	1,320	—
	407,414	347,950

— Related parties

	2010 RMB'000	2009 RMB'000
Within 3 months	1,242	653
Over 3 months	—	1,402
	1,242	2,055

13. Trade and other receivables – Group (Continued)

(a) (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	**(16,418)**	(8,925)
Provision for impairment of receivables	**–**	(7,493)
At 31 December	**(16,418)**	(16,418)

As at 31 December 2010, there is no trade receivable past due but not impaired. Trade receivables of RMB16,418,000 (2009: RMB16,418,000) were past due and fully provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2010 RMB'000	2009 RMB'000
7 to 12 months	**–**	4,492
Over 1 year	**16,418**	11,926
	16,418	16,418

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

	2010 RMB'000	2009 RMB'000
Renminbi	**371,145**	314,287
U.S. Dollar	**21,093**	19,300
	392,238	333,587

The creation and release of provisions for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income (Note 29). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Bills receivable

Bills receivable are bills of exchange with maturity dates of less than 6 months and are non-interest bearing.

There are no bills receivable pledged as security for bank borrowings as at 31 December 2010 (2009: nil).

14. Inventories — Group

	2010 RMB'000	2009 RMB'000
Raw materials	693,330	646,266
Finished goods	169,446	164,104
Spare parts and consumable materials	205,849	178,208
	1,068,625	988,578

The cost of inventories recognised as expenses and included in "cost of sales" amounted to RMB1,881,900,000 (2009: RMB1,426,770,000).

15. Restricted cash

Restricted cash comprised bank deposits for maintenance of banking facilities and settlement of notes payable.

16. Cash and cash equivalents

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash at banks and cash in hand				
Denominated in				
— Renminbi Yuan	284,652	516,461	—	—
— U.S. Dollar	34,243	229,320	22,588	10,923
— Euro	17,227	3,439	—	3,298
— HongKong Dollar	6,742	117	58	83
— Australian Dollar	7	159	7	159
	342,871	749,496	22,653	14,463
Less: Restricted cash (Note 15)				
— guarantee	(150,888)	(32,054)	—	—
	191,983	717,442	22,653	14,463

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC is subject to the rules and regulation of exchange control promulgated by the PRC government.

17. Share capital and share premium

	Number of shares of USD0.00001 each (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2010	1,468,817	114	3,716,982	3,717,096
Shares converted from Convertible Bonds	9,136	1	59,419	59,420
At 31 December 2010	1,477,953	115	3,776,401	3,776,516

There was no change in share capital and share premium in 2009.

18. Retained earnings

	Group RMB'000	Company RMB'000
At 1 January 2009	731,586	27,740
Profit for the year	233,474	451,065
Profit appropriation to statutory reserves	(19,183)	—
Dividends paid	(22,235)	(22,235)
At 31 December 2009	923,642	456,570
At 1 January 2010	**923,642**	**456,570**
Profit for the year	**198,286**	**48,306**
Profit appropriation to statutory reserves	**(58,818)**	**—**
Dividends paid	**(58,819)**	**(58,819)**
At 31 December 2010	**1,004,291**	**446,057**

19. Other reserves

Group	Statutory reserve fund RMB'000 Note (b)	Share-based compensation reserve RMB'000	Total RMB'000
Balance at 1 January 2009	122,539	16,759	139,298
Profit appropriation to statutory reserves	19,183	—	19,183
Share-based payment expenses	—	9,754	9,754
Balance at 31 December 2009	141,722	26,513	168,235
Balance at 1 January 2010	**141,722**	**26,513**	**168,235**
Profit appropriation to statutory reserves	**58,818**	**—**	**58,818**
Share-based payment expenses	**—**	**4,540**	**4,540**
Balance at 31 December 2010	**200,540**	**31,053**	**231,593**

19. Other reserves (Continued)

Company	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
Balance at 1 January 2009	4,927,242	16,759	4,944,001
Share-based payment expenses	—	9,754	9,754
Balance at 31 December 2009	4,927,242	26,513	4,953,755
Balance at 1 January 2010	**4,927,242**	**26,513**	**4,953,755**
Share-based payment expenses	**—**	**4,540**	**4,540**
Balance at 31 December 2010	**4,927,242**	**31,053**	**4,958,295**

(a) Capital reserve

Capital reserve as at 1 January 2007 represented the aggregate capital contributed by the then equity holders of the Group.

(b) Statutory reserves

Under the relevant PRC laws and regulations, PRC companies are required to appropriate a certain percentage of their net profit as the statutory reserve fund. Details of the fund is as follow:

Statutory reserve fund

PRC companies are required to allocate 10% of the companies' net profit to the fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

20. Share option and Pre-IPO share option

(a) Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme") on 30 January 2007, which became effective on 23 February 2007, the Listing Date. The purpose of the Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme ("Share Option Scheme") approved on 30 January 2007 except for the following:

(i) the subscription price per share shall be the Offer Price per share; and

(ii) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date.

The terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were same as those disclosed in the 2008 Annual Report.

The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of 3 years. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

Date of grant	Number of options outstanding as at 1 January 2010	Number of options lapsed or cancelled during the year	Number of options exercised during the year	Number of options outstanding as at 31 December 2010	Date of expiry	Exercise price (HK$)
30 January 2007	1,000,000	–	–	1,000,000	22 February 2017	6.00

20. Share option and Pre-IPO share option (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

The Pre-IPO options outstanding as at 31 December 2010 have the following vesting dates and weighted average exercise price:

Vesting Date	2010 Exercise price (per share) HK$	2010 Outstanding options (Thousands)	2009 Exercise price (per share) HK$	2009 Outstanding options (Thousands)
23 February, 2008	6	300	6	300
23 February, 2009	6	300	6	300
23 February, 2010	6	400	6	400
	6	1,000	6	1,000

As at 31 December 2010, a total of 1,000,000 shares (representing approximately 0.07% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

(b) Share Option Scheme

The Company adopted the Share Option Scheme on 30 January 2007 which has become effective on 23 February 2007, the Listing Date.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 138,749,750 shares of the Company, being 10% of the total number of shares in issue immediately prior to the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited. The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007. Under the Share Option Scheme, each option has a 10-year exercise period. The subscription price per share shall be the market price on the grant date.

35,450,000 share options granted under the Share Option Scheme on 25 February 2008 have a vesting period of five years. Commencing from the first,second, third and fourth anniversary of the date of grant, the relevant grantee may exercise up to 25%, 50%,75% and 100%, respectively, of the shares comprised in his or her option.

20. Share option and Pre-IPO share option (Continued)

(b) Share Option Scheme (Continued)

Name of grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2010	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed or cancelled during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the options outstanding as at 31 December 2010
Tsui Yiu Wa	25 February 2008	25 February 2018	6.39	150,000	–	150,000	–	–
Qi Daqing[Note]	13 July 2010	13 July 2020	5.426	–	150,000	–	–	150,000
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	–	–	–	28,810,500
				28,960,500	150,000	150,000	–	28,960,500

Note: Tsui Yiu Wa resigned on 13 July 2010 and options held by him lapsed accordingly. Pursuant to Rule 17.06A of the Hong Kong Listing Rules, on 13 July 2010, 150,000 share options were granted to Qi Daqing under Share Option Scheme.

(c) Fair value of share options

The fair value of the Pre-IPO Share Options and the Share Options granted has been valued by an independent qualified valuer using the Binomial valuation model.

	RMB'000
Fair value of Pre-IPO Share Options granted on 30 January 2007	4,031
Fair value of the Share Options granted on 25 February 2008	29,174
	33,205

The details of fair values and significant inputs into the model were as follows:

Grant date	25 February 2008	30 January 2007
Spot share price (HK$)	6.39	9
Strike price (HK$)	6.39	6
Expected volatility	44.81%	34.40%
Maturity (years)	10	10
Interest rate	3.64%	4.26%
Dividend yield	2.87%	1.13%
Suboptimal exercise factor	1.5	1.5

The expected volatility is estimated by making reference to the volatility of the Company and the other companies with similar backgrounds and/or nature of business as the Company.

Fair values of the Pre-IPO Share Options and the Share Options are charged to the consolidated statement of comprehensive income over the vesting periods of the options. Total share option expenses charged to the consolidated statement of comprehensive income for year 2010 amounted to RMB4,540,000 (2009: RMB9,754,000).

21. Employee benefit plan

(a) Employee Cash Benefit Plan

On 28 July 2010, the Company entered into a deed of trust and indemnity ("Deed of Trust") with the controlling shareholder, Mr. Zhu and the other two trustees (collectively, the "Trustees") who are members of the senior management of the Company, for the establishment of a trust (the "Trust") to hold the net cash proceeds (if any) from the exercise of the call option granted by SAIF* over certain Shares purchased by SAIF from Danone, for the benefit of certain classes of the employees of the Company (the "Employee Beneficiaries").

On 28 July 2010, the Remuneration and Nomination Committee has approved an employee cash benefit incentive plan (the "Employee Cash Benefit Plan") to identify the classes of the Employee Beneficiaries who may be eligible for discretionary grants out of such net cash proceeds. Only certain classes of the employees who fulfilled the vesting conditions (including service condition) will become entitled to the Employee Cash Benefit Plan.

* The call option granted by SAIF: SAIF has granted to the Trust a call option to require SAIF, subject to certain conditions to sell (via a placing agent) an amount of shares equivalent to 7.0% or 7.5% of the Company's issued share capital. Net cash proceeds, if any, from the placing of the option shares after the deduction of the payment to SAIF of the price for the shares (calculated using pre-determined formula) and relevant expenses, or the equivalent cash compensation will be paid to the Trust to be granted to the Employee Beneficiaries. The exercise periods can be any time from the date on which the Company's audited accounts for the year ended 31 December 2012 become available to all the shareholders of the Company and the date which is 6 months after such date ("exercise periods")

(b) Fair value

The estimated fair value of the Employee Cash Benefit Plan is equal to the fair value of net cash proceeds from the call option granted by SAIF, which was estimated at 28 July 2010, the starting date of the Employee Cash Benefit Plan (service starting date). The fair value has been valued by an independent qualified valuer using the Binomial valuation model, which will be adjusted to the fair value at the grant date of the Employee Cash Benefit Plan in future.

	RMB'000
Estimated fair value of the Employee Cash Benefit Plan on 28 July 2010	104,165

The details of fair values as at the service starting date and significant inputs into the model were as follows:

Service starting date	**28 July 2010**
Spot share price (HK$)	5.42
Strike price (HK$)	7.44
Expected volatility	45.75%
Maturity (years)	3
Interest rate	0.71%
Dividend yield	0.86%

Due to the uncertainties of various vesting conditions of the call option granted by SAIF, there was no expense related to the Employee Cash Benefit Plan charged to the income statement for the year ended 31 December 2010.

22. Trade and other payables

Group	2010 RMB'000	2009 RMB'000
Trade payables (a)(b)	726,445	319,077
Related parties (Note 40(c))	323,217	—
Third parties	403,228	319,077
Other payables	187,534	416,108
Related parties (Note 40(c))	4,584	4,720
Third parties (c)	182,950	411,388
	913,979	735,185

(a) Details of ageing analysis of trade payables are as follows:

— Third parties

	2010 RMB'000	2009 RMB'000
Within 3 months	368,625	308,378
Between 4 and 6 months	24,985	4,671
Between 7 and 12 months	4,647	1,717
Between 1 and 2 years	2,421	2,152
Between 2 and 3 years	1,556	870
Over 3 years	994	1,289
	403,228	319,077

— Related parties

	2010 RMB'000	2009 RMB'000
Within 3 months	271,775	—
Between 4 and 6 months	35,332	—
Between 7 and 12 months	16,110	—
	323,217	—

(b) The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2010 RMB'000	2009 RMB'000
Renminbi	694,556	308,191
U.S. Dollar	31,889	10,886
	726,445	319,077

22. Trade and other payables (Continued)

(c) Details of other payables — third parties are as follows:

	2010 RMB'000	2009 RMB'000
Payable for property, plant and equipment	180,488	101,108
Deposits payable	170,920	55,293
Advance from customers	22,040	84,330
Accrued expenses	45,332	48,247
Advertising expenses payable	10,556	38,328
Salary and welfare payable	25,112	31,994
Payable for land use rights	1,333	1,376
Other taxes	4,101	2,586
(Deductible VAT input)//VAT payable	(292,766)	25,242
Others	15,834	22,884
	182,950	411,388

Company	2010 RMB'000	2009 RMB'000
Payable due to related parties	22,748	24,116
Payable for investment in subsidiaries	173,365	—
	196,113	24,116

23. Borrowings

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Bank borrowings:				
Non-current	1,572,571	285,299	1,522,789	285,299
Current	748,249	403,248	182,250	347,248
Total bank borrowings	2,320,820	688,547	1,705,039	632,547
Unsecured	1,815,039	688,547	1,705,039	632,547

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Wholly repayable within 5 years	2,320,820	688,547	1,705,039	632,547

23. Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates was as follows:

	Group		Company	
	2010 RMB'000	**2009 RMB'000**	**2010 RMB'000**	**2009 RMB'000**
— Within 6 months	**1,985,002**	688,547	**1,705,039**	632,547
— 6–12 months	**335,818**	—	**—**	—
Total	**2,320,820**	688,547	**1,705,039**	632,547

The annual effective interest rates at the balance sheet dates were as follows:

	Group		Company	
Bank borrowings	4.16%	1.54%	3.77%	1.58%

Since the non-current bank borrowings are bearing floating interest rates, which equals to Libor plus appropriate credit rating, their carrying amounts approximate their fair value.

The carrying amounts of current borrowings approximate their fair value.

The Group's borrowings at the balance sheet dates were denominated in the following currencies:

	Group		Company	
	2010 RMB'000	**2009 RMB'000**	**2010 RMB'000**	**2009 RMB'000**
U.S. Dollar	**1,705,038**	632,547	**1,705,039**	632,547
Rennminbi	**615,782**	56,000	**—**	—
	2,320,820	688,547	**1,705,039**	632,547

The Group had no borrowings secured by property, plant and equipment, land use right or guarantees given by related parties.

The Group had undrawn borrowing facilities of RMB1,185,218,000 as at 31 December 2010 (2009: nil).

24. Deferred government grants — Group

	2010 RMB'000	2009 RMB'000
Opening net amount at beginning of year	64,003	65,009
Additions	4,906	1,799
Amortisation credit (Note 27)	(4,157)	(2,805)
Closing net amount at end of year	64,752	64,003
At end of year		
Cost	85,163	80,257
Accumulated amortisation	(20,411)	(16,254)
Net book amount	64,752	64,003

Analysis of government grants received/receivable by the Group was as follows:

	2010 RMB'000	2009 RMB'000
For acquisition of property, plant and equipment	38,201	67,703
For acquisition of land use right	44,820	8,644
Others	2,142	3,910
	85,163	80,257

25. Long-term payable for land use right — Group

Long-term payable on acquisition of certain land use right is payable in equal annual instalment over 15 years. Such balances are unsecured and non-interesting bearing. The payable is measured at fair value being future cash outflows discounted at market interest rates on similar borrowings.

26. Convertible Bonds

	2010 RMB'000	2009 RMB'000
Convertible bonds due 2011, liability component	529,499	546,540
Fair value of embedded derivatives	75,750	151,693
	605,249	698,233

26. Convertible Bonds (Continued)

On 5 February 2007, the Company, China HuiYuan Juice Holdings Co., Ltd., the then holding company of the Company, and the holders of convertible bonds issued by China HuiYuan Juice Holdings Co., Ltd. in June 2006 (the "June 2006 Convertible Bond"), entered into an agreement (the "Agreement") pursuant to which the Company agreed to issue an aggregate of US$85,000,000 (equivalent to approximately RMB663,000,000) convertible bonds due 28 June 2011 (the "Convertible Bonds") and an additional US$675,000 (equivalent to approximately RMB5,265,000) convertible bonds as an interest payment in kind (the "PIK") to the holders of the June 2006 Convertible Bond in exchange for the surrender of the June 2006 Convertible Bonds by the holders. The Convertible Bonds have the same terms and conditions as the June 2006 Convertible Bonds.

Upon completion of the Agreement on 23 February 2007, the Company recorded the estimated fair value of the Convertible Bonds as a distribution to equity holders.

The major terms and conditions of the Convertible Bonds are the same as those described in the annual financial statements for the year ended 31 December 2008.

As the optional redemption right had lapsed as at 30 June 2009, the Convertible Bonds had been reclassified from current liabilities to non-current liabilities.

As at 28 December 2007 and 27 June 2008, convertible bonds issued upon exercise of the PIK option of the Convertible Bonds (the 'PIK Bonds') had face values of US$830,000 and US$821,000 respectively. The holder of above bonds exercised their redemption right to redeem PIK Bonds with face value of US$2,326,000 in June 2009.

As at 31 December 2007, bonds with a face value of US$14,000,000 have been converted into ordinary shares of the Company at the price of HK$5.1 per share during the period from August to October 2007. Accordingly, ordinary shares of the Company increased by 21,318,607 shares as at 31 December 2007. There was no conversion of bonds during 2008 and 2009.

On 27 September 2010, bonds with a face value of US$6,000,000 have been converted into ordinary shares of the Company at the price of HK$5.1 per share. Accordingly, ordinary shares of the Company increased by 9,136,588 shares as at 31 December 2010.

26. Convertible Bonds (Continued)

The fair value of the Convertible Bonds was determined by an independent qualified valuer based on the Binomial valuation model. The fair value of the liability component on initial recognition was valued using a discounted cashflow model. The fair value of the conversion rights, together with redemption rights and interest settlement option (considered as a single derivative) (the "conversion right") was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the conversion right.

	RMB'000
Fair value of conversion right as at 31 December 2009	151,693
Less: Fair value of the conversion right of the bonds converted to ordinary shares	(10,068)
Less: Fair value of conversion right as at 31 December 2010	(75,750)
Fair value changes of conversion right	65,875

The fair value change in the conversion right, redemption right and interest settlement option for the year is RMB65,875,000 (2009: RMB400,621,000), which is recognised in the consolidated statement of comprehensive income and disclosed separately. The related interest expense of the liability component of the Convertible Bonds for the year ended 31 December 2010 amounted to RMB59,771,000 (2009: RMB58,131,000), which is calculated using the effective interest method with an effective interest rate of 11.38%.

	RMB'000
Liability component as at 31 December 2009	546,540
Add: Interest expense for the year (Note 31)	59,771
Less: Interest payment during the year	(11,765)
Liability component converted to ordinary shares	(49,352)
Unrealised exchange gain (Note 32)	(15,695)
Liability component as at 31 December 2010	529,499

The fair value of the liability component of the Convertible Bonds at 31 December 2010 amounted to RMB514,270,000. The fair value is calculated using cash flows discounted at a rate based on borrowing rate of 6.44% per annum.

27. Other income — net

	2010 RMB'000	2009 RMB'000
Subsidy income	108,205	16,807
Net income from sales of materials and scrap	44,951	12,111
Interest income from other loans and receivables	—	5,597
Amortisation of deferred government grants (Notes 24)	4,157	2,805
Rental income from property, plant and equipment	—	1,224
Gain/(loss) on disposals of property, plant and equipment	2,030	(10,103)
Donation	(2,321)	(1,456)
Others	7,276	1,910
	164,298	28,895

28. Other losses — net

	2010 RMB'000	2009 RMB'000
Interest rate swap product	—	106
Loss on disposal of a subsidiary	—	(736)
	—	(630)

29. Expenses by nature

	2010 RMB'000	2009 RMB'000
Raw materials used in inventories (Note 14)	1,881,900	1,426,770
Advertising and other marketing expenses	729,197	626,360
Depreciation of property, plant and equipment (Note 8)	269,538	210,380
Employee benefit expense (Note 30)	250,101	202,991
Water and electricity	175,048	142,400
Transportation and related charges	164,727	121,322
Repairs and maintenance	33,641	31,833
Amortisation of land use rights and intangible assets (Note 7, 9)	30,726	21,336
Office and communication expenses	27,536	21,628
Travelling expense	26,693	17,326
Land use tax	16,703	14,446
Impairment loss of inventories	16,171	31,357
Rental expenses	13,246	7,299
Auditors' remuneration	4,280	3,800
Impairment loss for trade and other receivables	—	15,443
Other expenses	55,412	46,896
Total cost of sales, selling and marketing and administrative expenses	3,694,919	2,941,587

30. Employee benefit expense

	2010 RMB'000	2009 RMB'000
Wages and salaries	212,119	166,921
Contributions to pension plan and other benefits	33,442	26,316
Share-based payment expenses	4,540	9,754
	250,101	202,991

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial government under which the Group are required to make monthly defined contributions to this plan at a certain rate of the employees' basic salary dependent upon the applicable local regulations.

(b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company by companies comprising the Group during the year were as follows:

	2010 RMB'000	2009 RMB'000
Salaries, wages and bonuses	3,579	5,332
Contributions to pension plan	50	38
Welfare and other expenses	56	45
	3,685	5,415

The emoluments of the directors were as follows:

	2010			
Name of director	Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Welfare and other expenses RMB'000	Total RMB'000
Zhu Xinli	1,180	28	33	1,241
Lee Wen-chieh	1,140	—	—	1,140
Jiang Xu	465	22	23	510
Andrew Y. Yan	—	—	—	—
Wang Bing	200	—	—	200
Zhao Yali	200	—	—	200
Song Quanhou	200	—	—	200
Tsui Yiu Wa	100	—	—	100
Qi Daqing	94	—	—	94

30. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

	2009			
Name of director	**Salaries, wages and bonuses RMB'000**	**Contributions to pension plan RMB'000**	**Welfare and other expenses RMB'000**	**Total RMB'000**
Zhu Xinli	2,365	24	27	2,416
Jiang Xu	1,067	14	18	1,099
Wu Chungkuan	1,100	—	—	1,100
Qin Peng	—	—	—	—
Sun Qiang Chang	—	—	—	—
Wang Bing	200	—	—	200
Zhao Yali	200	—	—	200
Tsui Yiu Wa	200	—	—	200
Song Quanhou	200	—	—	200

None of the directors waived any emoluments during the years ended 31 December 2010 and 2009.

During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2009: nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were as follows:

	2010	**2009**
Directors	**3**	3
Other senior management	**2**	2

The five highest paid individuals include three (2009: three) directors whose emoluments were reflected in the analysis presented in Note 30(b). Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2010 RMB'000	**2009 RMB'000**
Salaries, wages and bonuses	**1,168**	1,603
Contributions to pension plan	**44**	22
Welfare and other expenses	**45**	20
Share-based payment expenses	**28**	364
	1,285	2,009

30. Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

The emoluments of these members of senior management fell within the following band:

	Number of individuals	
	2010	2009
Nil–HK$1,000,000 (equivalent to approximately RMB850,900 on 31 December, 2010 or RMB880,500 on 31 December, 2009)	1	1
Above HK$1,000,000	1	1

31. Finance cost

	2010 RMB'000	2009 RMB'000
Interest expenses:		
— Bank borrowings wholly repayable within 5 years	74,833	16,461
— Interest expense relating to Convertible Bonds (Note 26)	59,771	58,131
Less: Interest capitalised	(50,586)	(10,967)
	84,018	63,625
Weighted average effective interest rates used to calculate capitalisation amount	2.18%	1.78%

32. Finance income

	2010 RMB'000	2009 RMB'000
Interest income:		
— from bank deposits	2,775	7,649
Exchange gain (excluding Convertible Bonds)	54,277	170
Exchange gain on liability component of Convertible bonds (Note 26)	15,695	490
	72,747	8,309

33. Income tax expense

	2010 RMB'000	2009 RMB'000
Current income tax — PRC enterprise income tax	**52,656**	35,826
Deferred income tax credit (Note 12)	**(19,005)**	(4,690)
	33,651	31,136

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group as follows:

	2010 RMB'000	2009 RMB'000
Profit before income tax	**231,937**	264,610
Tax calculated at the statutory tax rates of 25% (2009: 25%)	**57,984**	66,153
Tax effect:		
Fair value change in conversion right of convertible bonds not subject to tax	**(16,469)**	(100,155)
Expense not deductible for tax purpose	**5,822**	64,872
Tax losses for which no deferred income tax asset was recognised	**25,120**	21,472
Share-based expense not subject to tax	**1,135**	2,339
Preferential tax rates on the income of certain subsidiaries	**(3,508)**	(22,245)
Income not subject to tax	**(36,433)**	(1,300)
Income tax expense	**33,651**	31,136

Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong.

According to the Corporate Income Tax Law of the PRC as approved by the Notional People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 December 2009 and 2010 since the Group plans to reinvest such profits to set up new companies in the PRC and has no plan to distribute such profits in the foreseeable future.

34. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB48,306,000 (2009: profit of RMB451,064,000).

35. Earnings/(losses) per share

(a) 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 period.

	2010 RMB'000	2009 RMB'000
Profit attributable to equity holders of the Company	**198,286**	233,474
Weighted average number of ordinary shares in issue (thousands)	**1,471,195**	1,468,817
Basic earnings per share (RMB cents)	**13.5**	15.9

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under its Convertible Bonds and share option schemes. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the Convertible Bonds and the exercise of the share options, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	2010 RMB'000	2009 RMB'000
Profit attributable to equity holders of the Company	**198,286**	233,474
Add: Interest expense relating to Convertible Bonds	**59,771**	58,131
Less: Unrealised exchange gain relating to Convertible Bonds	**(15,695)**	(490)
Less: Fair value changes of conversion rights of Convertible Bonds	**(65,875)**	(400,621)
Profit/(loss) attributable to equity holders of the Company, used to determine diluted earnings/(losses) per share	**176,487**	(109,506)
Weighted average number of ordinary shares in issue (thousands)	**1,471,195**	1,468,817
Adjustment for Convertible Bonds (thousands)	**98,774**	107,911
Adjustment for share options (thousands)	**—***	—*
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,569,969**	1,576,728
Diluted earnings/(losses) per share (RMB cents)	**11.2**	(6.9)

* In 2009 and 2010, share options are antidilutive and have therefore been excluded from the calculation of diluted earnings per share.

36. Dividends

The Board recommended the payment of a final dividend of RMB0.033 per ordinary share, totalling RMB48,772,000 (2009: RMB0.040 per ordinary share, totalling RMB58,753,000), which is calculated based on the total number of outstanding ordinary shares at 31 December 2010. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting for 2010.

37. Notes to consolidated cash flow statement

	2010 RMB'000	2009 RMB'000
Profit before income tax	231,937	264,610
Adjustments for:		
— Share-based payment expenses (Note 20)	4,540	9,754
— Fair value changes of convertible right of Convertible Bonds (Note 26)	(65,875)	(400,621)
— Amortisation of deferred government grants (Note 24)	(4,157)	(2,805)
— Depreciation of property, plant and equipment (Note 8)	269,538	210,380
— Amortisation of land use right and intangible assets (Notes 7, 9)	30,726	21,336
— Impairment loss of inventory	16,171	10,933
— Provision for trade receivable (Note 13)	—	7,493
— Gain/(loss) on disposal of property, plant and equipment (Note 27)	(2,030)	10,103
— Other gains from derivative instrument (Note 28)	—	(106)
— Interest income from other loans and receivables (Note 27)	—	(5,597)
— Interest income from bank deposits and money market funds (Note 32)	(2,775)	(7,649)
— Interest expense relating to Convertible Bonds (Note 31)	59,771	58,131
— Interest expense (Note 31)	24,247	5,494
— Loss on disposal of a subsidiary	—	736
— Exchange gains on Convertible Bonds (Notes 26, 32)	(15,695)	(490)
— Exchange gain (excluding Convertible Bonds) (Note 32)	(54,277)	(170)
	492.121	181,532
Changes in working capital:		
— Inventories	(96,217)	(241,956)
— Trade and other receivables	(129,602)	(95,550)
— Trade and other payables	96,193	326,792
— Deferred revenue	(16,544)	16,033
Cash generated from operations	345,951	186,851

38. Contingencies

There were no material contingent liabilities as at 31 December 2010 (2009: nil).

39. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet dates but not yet incurred were as follows:

	2010 RMB'000	2009 RMB'000
Purchase of property, plant and equipment	**202,101**	439,319

(b) Operating lease commitments

The Group leases various offices, warehouses and machinery under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

The Group is the lessee

	2010 RMB'000	2009 RMB'000
No later than 1 year	**3,682**	3,925
Later than 1 year and no later than 5 years	**8,000**	8,002
Later than 5 years	**4,000**	6,000
	15,682	17,927

40. Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) During the year, the Company's directors and the Group's management are of the view that the companies beneficially owned by Mr. Zhu Xinli were related parties of the Group.

40. Related-party transactions (Continued)

(b) The following transactions were carried out with related parties:

Continuing transaction

	2010 RMB'000	2009 RMB'000
Sales of goods and services		
Sales of recyclable containers	37,073	23,089
Income for provision of power and other utilities	3,788	4,340
	40,861	27,429
Purchase of materials and services		
Purchase of raw materials	781,968	619,371
Rental expenses for lease of property, plant and equipment and land use rights	2,000	2,000
Expenses for power and other utilities	1,266	1,133
	785,234	622,504
Key management compensation		
Salaries, wages and bonuses	7,442	9,992
Contributions to pension plan	184	146
Welfare and other expenses	222	176
Share option expenses	4,540	9,754
	12,388	20,068

In the year of 2009 and 2010, one subsidiary of the Group, Beijing Huiyuan Food & Beverage Co., Ltd has been using and will continue to use certain offices premises owned by Beijing Huiyuan Beverage & Food Group Co. Ltd., a related company beneficially owned by Mr. Zhu Xinli, at nil cost.

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

40. Related-party transactions (Continued)

(b) The following transactions were carried out with related parties: (Continued)

Discontinued transactions

	2010 RMB'000	2009 RMB'000
Sales of goods and services		
Sales of raw materials to related parties	1,244	711
	1,244	711
Purchase of materials and services		
Purchase of raw materials from related parties	626	602
Purchase of goods from related parties	1,301	42
	1,927	644

In 2010, a related company of the Group, Beijing Huiyuan Beverage & Food Group Co. Ltd., provided the Group with the right to use three production lines at no consideration (2009: Three).

(c) Year-end balances due from or due to related parties were as follows:

	2010 RMB'000	2009 RMB'000
Trade receivables	1,242	2,055
Other balance due from related parties	47,365	18,639
Prepayment of raw materials and others*	—	15,285
Trade payables	323,217	—
Other balance due to related parties	4,584	4,720
Maximum balance of receivables during the year:		
Trade receivables	2,708	2,055
Other receivables	47,365	18,639
Prepayment of raw materials and others	—	175,593

* These represent prepayments made to Huiyuan Beverage & Food Group Co., Ltd. and its subsidiaries, which are beneficially owned by Mr. Zhu Xinli, a director and Chairman of the Group in respect of the purchase of certain juice concentrate.

The balances due from or to related parties are unsecured and non-interest bearing.

41. Events after the balance sheet date

There were no significant events after 31 December 2010.

"Board"	the board of directors of our Company
"Bond Holders"	the holders of Convertible Bonds
"BVI"	the British Virgin Islands
"China Huiyuan Holdings"	China Hui Yuan Juice Holdings Co., Ltd. (中國滙源果汁控股有限公司*), a limited liability company incorporated in the Cayman Islands
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "we", "us" or "our"	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司*), a limited liability company incorporated in the Cayman Islands on 14 September 2006, and where the context otherwise requires, all of its subsidiaries and associated companies
"Convertible Bonds"	US$85,000,000 convertible bonds due 28 June 2011
"Financial Management and Audit Committee"	the financial management and audit committee of the Company as set up by the Board on 21 September 2006
"Group" or "Huiyuan Juice"	the Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or the businesses operated by the present subsidiaries or (as the case may be) its predecessor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited (as amended from time to time)
"Huiyuan Holdings"	Huiyuan International Holdings Limited (滙源國際控股有限公司*), a company incorporated in the BVI
"Listing Date"	23 February 2007 being the date on which dealings in the shares of the Company first commence on the Hong Kong Stock Exchange

"Offer Price"	HK$6.00 per share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), at which the Shares of the Company were sold under the global offering described in the Prospectus
"Ordinary Shares" or "Shares"	Ordinary shares of US$0.00001 each in the share capital of the Company
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted pursuant to written resolution passed by the sole shareholder on 30 January 2007, the principal terms of which are summarized in the section headed "Pre-IPO Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"Prospectus"	the prospectus issued by the Company on 8 February 2007 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Company as set up by the Board on 21 September 2006
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SAIF"	Sino Fountain Limited, a company incorporated in the British Virgin Islands which is indirectly wholly owned by Mr. Andrew Y. Yan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 30 January 2007, the principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"United States"	The United States of America
"United States $" or "US$"	United States dollars, the lawful currency of the United States

The terms "associate", "connected person", "connected transaction", "controlling shareholder", "independent third party", "subsidiary" and "substantial shareholder" shall have the meanings given to these terms under the Hong Kong Listing Rules.