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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- **Key financial figures**

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Revenue	**3,707,954**	2,832,627
Gross profit	**1,361,955**	1,020,579
Profit attributable to equity holders	**198,286**	233,474
Adjusted profit/(loss) attributable to equity holders *(Note)*	**181,027**	(99,752)
EBITDA	**550,344**	160,066
Earnings/(losses) per share *(RMB cents)*		
— Basic	**13.5**	15.9
— Diluted	**11.2**	(6.9)
Proposed final dividend per share *(RMB cents)*	**3.3**	4.0

Note: The adjusted profit/(loss) attributable to equity holders excludes interest expense on the Convertible Bonds (as defined below), 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.

- For the year ended 31 December 2010, the Group recorded a revenue of RMB3,708.0 million. Gross profit reached RMB1,362.0 million. Overall gross profit margin increased from 36.0% in 2009 to 36.7% in 2010. The adjusted profit attributable to equity holders reached RMB181.0 million as compared with a loss of RMB99.8 million in 2009.

- According to Nielsen, the Group had a 50.2% and 45.0% share of the PRC market by sales volume in terms of 100% juice and nectars for 2010, respectively, maintaining its leading position in the respective markets.

In this announcement "we", "us" and "our" refer to China Huiyuan Juice Group Limited (the "Company") and where the context otherwise requires, the Company and its subsidiaries (collectively, the "Group", "Huiyuan" or "Huiyuan Juice").

BUSINESS REVIEW FOR YEAR 2010

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 the economy of scale. 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 share (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2010獎), "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).

MARKET REVIEW FOR YEAR 2010

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.

The directors (the "Directors") of the Company are pleased to present the audited consolidated results of the Group for the year ended 31 December 2010, along with the comparative figures of 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2010

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**3,707,954**	2,832,627
Cost of sales	*7*	**(2,345,999)**	(1,812,048)
Gross profit		**1,361,955**	1,020,579
Other income — net	*5*	**164,298**	28,895
Other losses — net	*6*	**—**	(630)
Selling and marketing expenses	*7*	**(1,044,559)**	(845,885)
Administrative expenses	*7*	**(304,361)**	(283,654)
Finance cost	*8*	**(84,018)**	(63,625)
Finance income	*9*	**72,747**	8,309
Unrealised gain from change of fair value of Convertible Bonds	*15*	**65,875**	400,621
Profit before income tax		**231,937**	264,610
Income tax expense	*10*	**(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	*11*	**13.5**	15.9
— diluted	*11*	**11.2**	(6.9)
Dividends	*12*	**48,772**	58,753

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		**563,514**	494,085
Property, plant & equipment		**5,478,331**	3,298,486
Intangible assets		**477,872**	498,058
Deferred tax assets		**54,765**	35,760
Long-term receivables		**5,219**	10,483
Total non-current assets		**6,579,701**	4,336,872
Current assets			
Inventories		**1,068,625**	988,578
Trade and other receivables	*13*	**1,009,732**	933,377
Other loans and receivables		**—**	64,300
Restricted cash		**150,888**	32,054
Cash and cash equivalents		**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		**115**	114
Share premium		**3,776,401**	3,716,982
Other reserves		**231,593**	168,235
Retained earnings			
— Proposed final dividend	*12*	**48,772**	58,753
— Others		**955,519**	864,889
Total equity		**5,012,400**	4,808,973

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2010

		As at 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**1,572,571**	285,299
Deferred government grants		**64,752**	64,003
Long-term payable for land use rights		**6,662**	7,873
Long-term payable for license fee		**1,325**	2,730
Convertible Bonds	*15*	**—**	698,233
Total non-current liabilities		**1,645,310**	1,058,138
Current liabilities			
Trade and other payables	*16*	**913,979**	735,185
Taxation payable		**57,282**	32,076
Deferred revenue		**18,460**	35,003
Convertible Bonds	*15*	**605,249**	—
Borrowings	*14*	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2010

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.

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.

The following new standards, revised standards and amendment to standards are mandatory for the first time for the first time for the financial year beginning 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.

  Other than those above, the adoption the above revised standards and amendment to standards did not have any significant financial impact to the group.

4. 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	2009
	RMB'000	*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.

5. Other income — net

	2010	2009
	RMB'000	*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	**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

6. Other losses — net

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

7. Expenses by nature

	2010	2009
	RMB'000	*RMB'000*
Raw materials used in inventories	**1,881,900**	1,426,770
Advertising and other marketing expenses	**729,197**	626,360
Depreciation of property, plant and equipment	**269,538**	210,380
Employee benefit expense	**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	**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

8. Finance cost

	2010	2009
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings wholly repayable within 5 years	**74,833**	16,461
— Interest expense relating to Convertible Bonds	**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%

9. 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	**15,695**	490
	72,747	8,309

10. Income tax expense

	2010 *RMB'000*	2009 *RMB'000*
Current income tax — PRC enterprise income tax	**52,656**	35,826
Deferred income tax credit	**(19,005)**	(4,690)
	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.

11. 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	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**198,286**	233,474
Add: Interest expense relating to Convertible Bonds *(Note 15)*	**59,771**	58,131
Less: Unrealised exchange gain relating to Convertible Bonds *(Note 15)*	**(15,695)**	(490)
Less: Fair value changes of conversion rights of Convertible Bonds *(Note 15)*	**(65,875)**	(400,621)
(Loss)/profit attributable to equity holders of the Company, used to determine diluted (losses)/earnings 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/(losses) per share.

12. 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.

13. Trade and other receivables — Group

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**392,238**	333,587
Trade receivables	**408,656**	350,005
Less: Provision for impairment of receivables	**(16,418)**	(16,418)
Bills receivable	**45,642**	40,495
Prepayments of raw materials and others	**508,776**	524,605
Other receivables	**63,076**	34,690
	1,009,732	933,377

The carrying amounts of receivables approximate their fair values.

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:

	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**313,481**	307,809
Between 4 and 6 months	**64,502**	22,755
Between 7 and 12 months	**13,193**	7,515
Between 1 and 2 years	**16,160**	11,926
Over 2 years	**1,320**	—
	408,656	350,005

14. Borrowings

	Group	
	2010	2009
	RMB'000	*RMB'000*
Bank borrowings:		
Non-current	**1,572,571**	285,299
Current	**748,249**	403,248
Total bank borrowings	**2,320,820**	688,547
Unsecured	**1,815,039**	688,547

15. Convertible Bonds

	2010	2009
	RMB'000	*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

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.

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	59,771
Less: Interest payment during the year	(11,765)
Liability component converted to ordinary shares	(49,352)
Unrealised exchange gain	(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.

16. Trade and other payables

	2010 RMB'000	2009 RMB'000
Trade payables	**726,445**	319,077
Other payables	**187,534**	416,108
	913,979	735,185

The ageing analysis of trade payables as at 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Within 3 months	**640,400**	308,378
Between 4 and 6 months	**60,317**	4,671
Between 7 and 12 months	**20,757**	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
	726,445	319,077

17. Contingencies

There were no material contingent liabilities as at 31 December 2010.

Financial Review

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 net 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 General Trade Union. The labor union organizes various activities to improve the quality of life for our employees.

FUTURE PROSPECTS

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 motivate 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.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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. The register of members of the Company will be closed from 15 June 2011 to 20 June 2011 (both days inclusive) during which no share transfer will be registered. To qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with Company branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 14 June 2011. The dividend will be payable on or about on 5 July 2011.

CORPORATE GOVERNANCE CODE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders.

The Company has adopted the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving a high standard of corporate governance practices.

In 2010, the Company continued to apply most of the code provisions (the "Code Provisions") of the Corporate Governance Code. A summary of the deviations from the Code Provisions is set out as below:

Code Provision A2.1

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

At present, 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 under the Code Provision A2.1, where the two positions should be held by two 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 continue 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.

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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 20 June 2011. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

REVIEW OF FINANCIAL STATEMENTS

The financial management and audit committee of the Board, has discussed with management and reviewed the consolidated financial statements of the Group for the year ended 31 December 2010. The financial information set out in page 4 to 14 of this announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

By Order of the Board
CHINA HUIYUAN JUICE GROUP LIMITED
ZHU Xinli
Chairman

Beijing, 21 March 2011

Our directors are Mr. ZHU Xinli, Mr. JIANG Xu and Mr. LI Wen-chieh as executive directors, Mr. Andraw Y. YAN as a non-executive director and Mr. WANG Bing, Ms. ZHAO Yali, Mr. QI Daqing and Mr. SONG Quanhou as independent non-executive directors.

* *For identification purposes only*