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

2011
Annual Report

汇源

2011 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 2011, the Group has 41 subsidiaries with 10,397 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 2011, the Group’s 100% juice and nectars continue to rank as the market leader with market shares of 51.5% and 41.8%, 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 recognized fruit and vegetable juices among Chinese consumers.

Contents

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

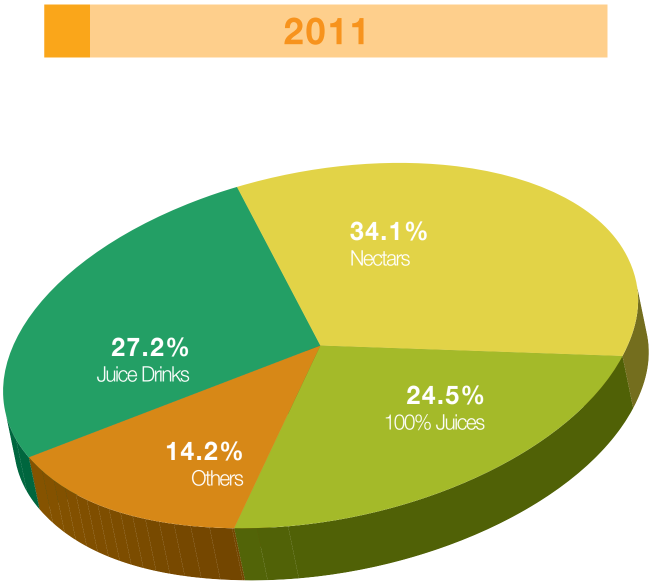
Listing Exchange Information

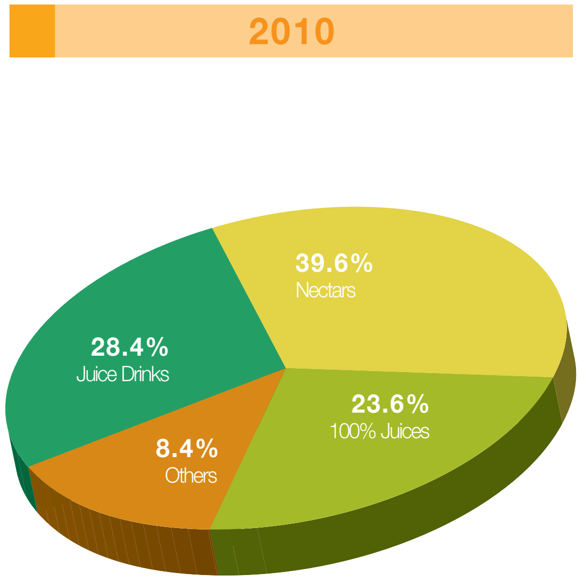
Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

Principal Bankers

Bank of Communications
Bank of China
Standard Chartered Bank

Sales by product





Comparison of results of 2011 and 2010

	For the year ended 31 December (RMB'000)	
	2011	2010
Revenue	3,825,596	3,707,954
Gross profit	1,030,767	1,361,955
Profit attributable to equity holders	310,495	198,286
Adjusted profit attributable to equity holders (Note)	36,901	181,027
EBITDA	458,820	550,344
Earnings per share (RMB cents)		
— Basic	21.0	13.5
— Diluted	2.2	11.2
Proposed final dividend per share (RMB cents)	—	3.3

Note : 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.

Financial ratio

	For the year ended 31 December		
	2011	2010	Change
Return on equity	**5.9%**	4.0%	48.8%
Return on assets	**3.1%**	2.2%	39.4%
Gearing ratio (total debt/total equity) (Note 1)	**61.0%**	58.4%	4.5%

Operating ratio (Note 2)

	For the year ended 31 December		
	2011	2010	Change
Turnover of finished goods	**21 days**	26 days	–5 days
Turnover of raw materials	**114 days**	135 days	–21 days
Turnover of trade receivables	**59 days**	43 days	+16 days
Turnover of trade payables	**118 days**	113 days	+5 days

Note 1: The total debt includes total borrowings of RMB2,493.6 million as at 31 December 2011 (as at 31 December 2010: RMB2,320.8 million) and convertible bonds of RMB725.3 million as at 31 December 2011 (as at 31 December 2010: RMB605.2 million).

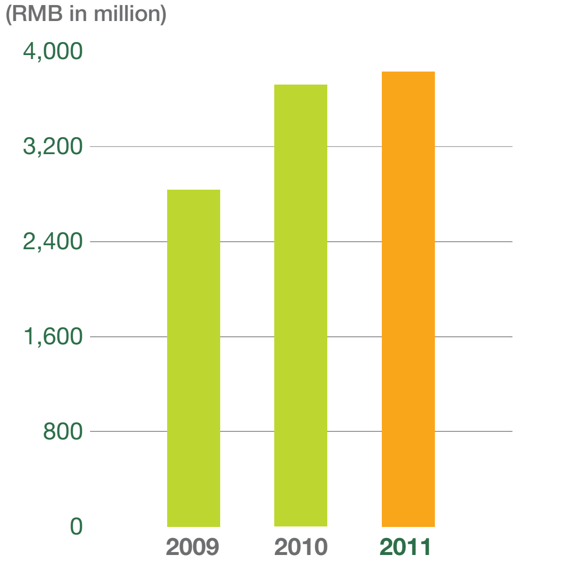
Note 2: The turnover of finished goods as at 31 December is calculated as the balance of finished goods as at 31 December divided by cost of sales for the year multiplied by 365 days.
The turnover of raw materials as at 31 December is calculated as the balance of raw materials as at 31 December divided 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)				
	2011	2010	2009	2008	2007
Results					
Revenue	**3,825.6**	3,708.0	2,832.6	2,819.7	2,656.3
Gross profit	**1,030.8**	1,362.0	1,020.6	908.9	949.2
Profit for the year	**310.5**	198.3	233.5	88.9	640.2
Gross profit margin	**26.9%**	36.7%	36.0%	32.2%	35.7%
Net profit margin	**8.1%**	5.3%	8.2%	3.2%	24.1%
Profit attributable to equity holders of the Company	**310.5**	198.3	233.5	88.9	640.2

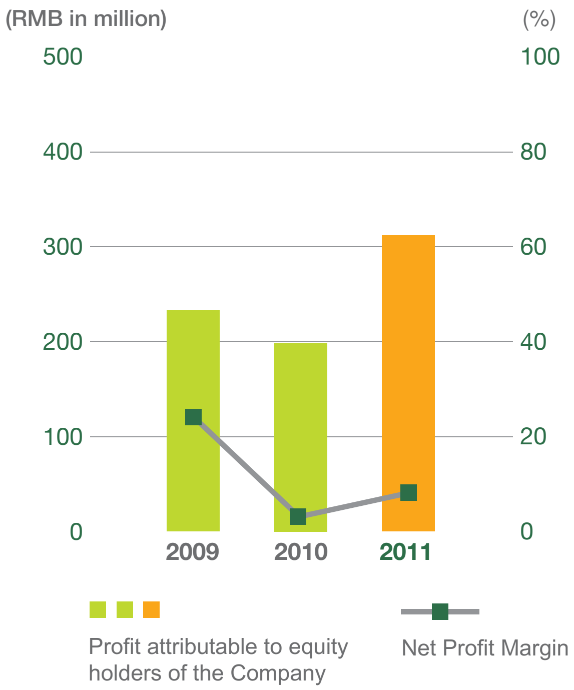
	As at 31 December (RMB million)				
	2011	2010	2009	2008	2007
Assets, liabilities and equity					
Total assets	**10,110.0**	9,293.7	7,072.6	7,191.3	6,887.2
Total liabilities	**4,834.1**	4,281.3	2,263.7	2,603.3	2,226.0
Equity attributable to equity holders of the Company	**5,275.9**	5,012.4	4,808.9	4,588.0	4,661.2
Minority interests	**—**	—	—	—	—

Sales



Gross Profit

Profit attributable to equity holders of the Company



Earnings per share

ZHU Xinli
Chairman and President

Macro-economic environment

The macro-environment in 2011 was characterized by complex and challenging economic conditions both internationally and in China. While the global economy continues to be weighed down by issues in the developed markets of Europe and the US, the Chinese economy in contrast achieved GDP growth of 9.2%. China's economic growth has started to slow, but it remains relatively strong in the context of the global economy. 2011 was also marked by high inflationary pressures, particularly in food prices. The Producer Price Index (PPI) rose 6.0% in 2011 while the Consumer Price Index (CPI) advanced by 5.4%. Inflation for foodstuffs recorded an 11.8% increase. While it seems that the worst is behind us, the entire beverage industry including the juice beverage industry has been negatively impacted. Although the domestic market remains competitive, it continues to provide great opportunities for Huiyuan.

Operating Results

In this difficult environment, management implemented various measures to ensure stability in the Group's overall performance. As a result, we were able to maintain our market leading position in the juice beverage industry heading into this, the 20th anniversary of our establishment. Revenues for the year ended 31 December 2011 reached RMB3,825.6 million, representing an increase of 3.2% year-on-year. Gross profit in 2011 declined however as our gross margin decreased from 36.7% in 2010 to 26.9% on rising costs of raw materials. For the year ended 31 December 2011, the Group recorded net profit of RMB310.5 million, up 56.6% from the previous year. Incidents such as the plasticizer scare in mid-2011 and the extensive media coverage of the damaging effects of food additives have led consumers to be increasingly concerned about issues of food safety and health. These incidents had a negative effect on the overall market and the sales of certain of our nectars and juice drinks were more severely impacted than other parts of our business. On the other hand, other non-juice drinks and our OEM business enjoyed healthy growth. Adjusted profit attributable to equity holders reached RMB36.9 million in 2011. The Board of Directors (the "Board") did not recommended dividend payment for the year.

This year we continued to aggressively grow our business and expand our nationwide production and distribution network to achieve greater benefits of scale. Currently, the Group has 41 advanced production plants in China. Our nationwide network of distributors, direct sales branches, and sales representatives work to further our penetration into second and third tier cities.

Product and Market Development

Over the past 19 years, Huiyuan has grown into a trusted, nationally recognized consumer brand name. Our 100% juices and nectars have retained leadership in their respective markets for the past five consecutive years. According to Nielsen, the Group commanded a 51.5% share in China's 100% juice sector and a 41.8% share in the nectar sector in terms of sales volume. Despite our historical success, we remain committed to growing the business to an even greater scale. Management continues to pursue product innovation to create products to meet consumers' ever-growing expectations and expand our product portfolio. At the same time, we will work to expand our partnership with OEM customers to boost the utilization rate of our production facilities.

Major Events

During the review period, we worked to forge strategic relationships with partners from around the world. In July 2011, Beijing Huiyuan Group, a raw material provider of the Company, entered into a cooperation agreement with Marubeni Corporation in Japan for raw material supply. With this strategic partnership, we hope to enhance our product quality and strengthen the foundation for our future expansion. With the strength of our products, we further enhanced our relationship with key corporate partners including many of China's leading hypermarkets and airlines. In 22 June 2011, we were named the exclusive authorized supplier of fruit juice products for the China Lunar Exploration and Deep Space Exploration program. Corporate partnerships are an important aspect of our business and we will continue to invest in long-term strategic relationships.

In 2011, we won numerous awards including "Platinum Award of Honor Brand in Asia", "the Most Trusted Food Brand Award", "Consumers Around The World Trust The Chinese Beverage Industry Top Ten Independent Brand", "National Quality-and-Security-guaranteed Brand", " Netizens' Favorite Beverage Brand", "Food Industrial Science Progress Second Prize".

This type of recognition from the market reinforces our belief in the quality of our products, the strength of our brand, and the trust from our customers.

On 29 April 2011, we issued USD150 million of convertible bonds to help us fund future expansion and improve our existing capital structure.

Future Prospects

2012 marks the 20 year anniversary of the founding of Huiyuan Juice. Our growth over the past 19 years is symbolic of the growth of China's fruit juice market through this time. It remains our mission to be the leading highest quality healthy fruit and juice beverage company in China. Despite the challenging macro-environment in 2011, we are extremely enthusiastic about the future of our Company and the overall industry. As China continues to develop, urbanization and rising consumption will drive demand for higher quality, healthy beverages. At the same time, the government's favorable agricultural policies and efforts to stimulate domestic demand are also driving the growth in the overall juice beverage market. With the vast market potential and favorable growth trends, China's consumer and beverage markets have attracted renowned multinational companies to increase their investments in China and led to intense market competition and consolidation among certain players. As the clear leader in China's 100% juice and nectar markets however, we are uniquely well positioned to take advantage of the favorable growth trends in the market. We will continue to work tirelessly to create value for all our stakeholders.

In 2012, we will work to maintain our leadership position in 100% juice and nectars. We will aggressively expand our sales network to penetrate deeper into our target markets. We will continue to push strategically into new products and new categories, including new juice flavors and non-juice drinks. We will explore future opportunities to leverage our brand and other assets, and we will work tirelessly to create value for all our stakeholders.

Lastly, on behalf of the Board of Huiyuan Juice, I would like to express my heartfelt thanks to our customers, our shareholders, management, employees, and all our partners who have helped and supported us throughout the past 19 years.

Zhu Xinli
Chairman
Hong Kong, 27 March 2012

MARKET REVIEW

Review of the China Juice Beverage Market

In 2011, China recorded GDP growth of 9.2%, a decrease from 10.3% compared to last year. While China's economic growth has started to slow, it remains relatively strong in the context of the global economy. At the same time, China continued to battle inflation, particularly in food prices. In 2011 China recorded an increase in the Producer Price Index (PPI) and an increase in the Consumer Price Index (CPI) of 6.0% and 5.4%, respectively. Inflation of foodstuffs recorded an even higher increase of 11.8%. In this challenging context of a slowing macro-economy and increased inflation, the domestic juice beverage market continued to grow despite being negatively affected by a series of food safety incidents including the plasticizer scare that emerged in mid-2011. The increase in urban population and growth in disposable income continue to drive the growth in consumer demand for natural and healthy beverage products including fruit and vegetable juices.

In this environment, sales of fruit and vegetable juices in China reached 3.9 billion liters in 2011, representing an increase of 13.4% according to Nielsen. According to Nielsen, Huiyuan remains the market leader in terms of market share in 100% juice and nectars in China. 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 2011.

For the year of 2011	Market Share By Volume	Market Share By Value (%)
100% Juice		
Huiyuan Juice	**51.5**	**44.9**
Second ranked competitor	19.9	25.5
Third ranked competitor	8.7	7.9
Fourth ranked competitor	2.4	3.6
Fifth ranked competitor	3.4	3.5
Sixth ranked competitor	2.8	3.5
26%–99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	**41.8**	**37.3**
Second ranked competitor	34.2	28.9
Third ranked competitor	5.0	7.3
Fourth ranked competitor	2.2	2.5
Fifth ranked competitor	0.9	1.7
25% & Below Concentration		
First ranked competitor	36.2	38.5
Second ranked competitor	18.7	17.2
Third ranked competitor	17.7	15.2
Fourth ranked competitor	7.2	8.4
Fifth ranked competitor	6.2	6.2
Huiyuan Juice (Note 3)	**4.1**	**3.1**

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", "Lemon Me", "Juizee Pop", "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
	2011	**2010**	**(%)**
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Revenue	**3,825,596**	3,707,954	3.2%
Gross profit	**1,030,767**	1,361,955	-24.3%
Profit attributable to equity holders	**310,495**	198,286	56.6%
Adjusted profit attributable to equity holders(Note 1)	**36,901**	181,027	-79.6%
EBITDA	**458,820**	550,344	-16.6%
Earnings per share (RMB cents)(Note 2)			
— basic	**21.0**	13.5	55.6%
— diluted	**2.2**	11.2	-80.4%
Selected financial ratios			
Gross profit margin (%)	**26.9%**	36.7%	
Margin of profit attributable to equity holders (%)	**8.1%**	5.3%	
EBITDA margin (%)	**12.0%**	14.8%	
Return on equity holders' equity (%)	**5.9%**	4.0%	
Gearing ratio (total debt to total equity)(Note 3)	**61.0%**	58.4%	

Notes:

(1) 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.

(2) Please refer to Note 31 of the Consolidated Financial Statements 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 2011.

Sales

Sales of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products increased 3.2% from RMB3,708.0 million in 2010 to RMB3,825.6 million in 2011.

Sales of 100% fruit juices, which accounted for 24.5% of the Group's total sales, increased by 7.1% from RMB876.6 million in 2010 to RMB938.8 million in 2011 due to a 1.1% increase in sales volume and a 6.0% increase in average selling price.

Sales of nectars remains the largest component of the Groups revenues accounting for 34.1% of total sales. Despite being the largest component of revenues, sales of nectars in 2011 was negatively impacted by the difficult market environment, particularly in the second half of the year, as sales volume decreased 12.7% compared to last year. Average selling price increased 1.9% as sales of nectars decreased from RMB1,466.8 million in 2010 to RMB 1,304.3 million in 2011.

Sales of juice drinks, which accounted for 27.2% of the Group's total sales, decreased by 1.2% in 2011 from RMB1,053.7 million in 2010 to RMB1,041.0 million in 2011, primarily due to a 13.3% decrease in volume which was partially offset by an 14.0% increase in average selling price.

The sales of other beverage products increased significantly, growing 74.2% from RMB310.8 million in 2010 to RMB541.5 million in 2011 primarily attributed to the increase in OEM sales and the sales of water, bottled tea and milk juice.

Cost of Sales

Cost of sales increased by 19.1% from RMB2,346.0 million in 2010 to RMB2,794.8 million in 2011. Total sales volume increased by 7.1% from 2010 to 2011. Increase in raw material prices across all juice product segments contributed to the remainder of the overall increase in costs of sales.

Gross Profit

Gross profit decreased by 24.3% from RMB1,362.0 million in 2010 to RMB1,030.8 million in 2011. Gross profit margin decreased 9.8% from 36.7% in 2010 to 26.9% in 2011. The decrease in gross profit was attributable to both the decrease in sales volume for nectar and juice drinks as well as the increase in overall raw material prices.

Other Income

Other income increased 56.1% from RMB164.3 million in 2010 to RMB256.5 million in 2011, primarily due to the increase of government subsidy income.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 10.6% from RMB1,044.6 million in 2010 to RMB933.9 million in 2011, mainly due to a decrease in marketing and direct sales costs.

Administrative Expenses

Administrative expenses increased by 12.0% from RMB304.4 million in 2010 to RMB340.8 million in 2011. The administrative expenses as a percentage of revenue have increased from 8.2% in 2010 to 8.9% in 2011.

Finance Income/Cost

The Group recorded finance income of RMB343.4 million in 2011 as compared to a finance income of RMB54.6 million in 2010, primarily as a result of a RMB340.6 million gain in changes in fair value of the convertible bonds in 2011 as compared to a RMB65.9 million gain in changes in fair value of the convertible bonds in 2010.

Income Tax Expenses

Income tax expenses increased by 34.9% from RMB33.7 million in 2010 to RMB45.4 million in 2011, primarily as a result of an increase in profits at certain subsidiaries.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Company recorded RMB12.5 million in operating profit in 2011 as compared with a RMB177.3 million operating profit in 2010. The adjusted profit attributable to the equity holders of the Company for 2011 was RMB36.9 million compared to a profit attributable to the equity holders of the Company of RMB181.0 million for 2010.

Liquidity and Capital Resources

The Group's working capital and other capital requirements were principally funded by operations, cash at hand and bank borrowings.

As at 31 December 2011, the Group had an aggregate of RMB2,490.6 million in outstanding bank loans, RMB3.0 million in other financial institution loans and RMB725.3 million in outstanding convertible bonds as compared to RMB2,320.8 million of outstanding bank loans and RMB605.2 million of outstanding convertible bonds in 2010. The gearing ratio (total debt (including the convertible bonds)/total equity) of the Group was 61.0% as at 31 December 2011, representing a increase of 2.6 percentage points as compared to 58.4% as at 31 December 2010.

The Group's borrowings mainly include bank loans and the convertible bonds. As at 31 December 2011, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year	Total
	(RMB in million)		
Bank loans	2,437.6	53.0	2,490.6
Other financial institution loans	3.0	—	3.0
Convertible bonds	—	725.3	725.3
Total	2,440.6	778.3	3,218.9
Analysed as:			
Secured	16.6	—	16.6
Unsecured	2,424.0	778.3	3,202.3

Operating activities

Net cash generated from operating activities was RMB258.6 million in 2011. The Group's net profit before tax for the same period was RMB355.9 million. The difference of RMB97.3 million was primarily due an RMB623.7 million increase in accounts payable and RMB296.3 million depreciation of fixed assets that was partially offset by a RMB340.6 million change in fair value of the convertible bonds and a RMB478.0 million increase in accounts receivables.

Investing activities

Net cash used in investing activities in 2011 was RMB729.0 million as compared to net cash used in investing activities of RMB2,390.1 million in 2010. Purchase of property, plant and equipment in 2011 was 683.9 million.

Financing activities

Net cash generated from financing activities in 2011 was RMB558.8 million, as compared to net cash generated from financing activities of RMB1,618.9 million in 2010. In July 2011, the Group issued USD150 million of convertible bonds due 2016 which was partly offset by the redemption of outstanding convertible bonds due 2011 with a face value of USD65 million on 28 June 2011.

Capital Expenditure

Capital expenditures primarily comprised purchases of property, plant and equipment, and additions to land use rights. The Group significantly decreased its annual total capital expenditures in 2011 compared to the previous year. During the year ended 31 December 2011, the Group spent RMB683.9 million on the purchase of property, plant and equipment and RMB85.2 million on the acquisition of land use rights.

As at 31 December 2011, the Group had capital commitments of RMB103.8 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2012 will be significantly reduced compared with 2011. The Group plans to finance its 2012 capital expenditure requirements primarily with cash generated from its operations and bank loans.

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 135 and 26 days, respectively, in 2010 to 114 and 21 days, respectively, in 2011.

Turnover days for trade receivables in 2011 increased to 59 days from 43 days in 2010.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 31 December 2011, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2011, none of the property, plant, equipment and land use rights of the Group were pledged to secure bank borrowings.

Capital Leases

As at 31 December 2011, 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 2011 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2011, 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 2011 would have been decreased/increased by RMB15.8 million (2010: RMB16.3 million), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

As at 31 December 2011, 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 2011 would have been decreased/increased by RMB0.1 million (2010: RMB1.9 million), mainly due to the foreign exchange losses/gains on retranslation of Euro-denominated prepayments for equipments.

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 RMB202 million as at 31 December 2011 (2010: RMB77.4 million), representing 35% of the total balance of trade receivables as at 31 December 2011 (2010: 20%).

EMPLOYEES AND WELFARE CONTRIBUTION

As at 31 December 2011, the Group had 10,397 employees. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

As at 31 December 2011, the Group's employees' deployment by function was as follows:

Functions	
Production	5,001
Sales and marketing	3,856
Management and other administration	747
Research and development (including quality assurance)	372
Finance and accounting	366
Purchase and supply	55
Total headcount	10,397

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 and 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.

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 2011.

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 78 to 79.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2011 are set out on page 50. The Board has resolved to not to recommend payment of final dividend for the year ended 31 December 2011.

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 2011 are set out in note 17 to the consolidated financial statements on page 86.

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 for the year ended 31 December 2011 are set out in note 18 to the consolidated financial statements on pages 86.

Distributable reserves

As at 31 December 2011, the Company's distributable reserve is RMB761 million. The Board has resolved to recommend no final dividend for the year ended 31 December 2011.

Directors

The directors who held office during the year ended 31 December 2011 and up to the date of this report are:

Executive Directors:

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

Non-executive Directors:

Mr. Andrew Y. YAN

The independent non-executive directors

Mr. WANG Bing
Ms. ZHAO Yali
Dr. QI Daqing
Mr. SONG Quanhou

In accordance with the Article 130 of the Company's articles of association Mr. ZHU Xinli, Mr. LEE Wen-chieh and Mr. WANG Bing will retire from office as director by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr. ZHU Xinli and Mr. LEE Wen-chieh will offer themselves for re-election at the forthcoming annual general meeting while Mr. WANG Bing will not offer himself for re-election due upon the completion of his second three-year term as director of the Company.

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 39 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 2011.

The details of such related party transactions are set out in note 36 the consolidated financial statements on pages 107 to 108. 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 2011, 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 2011, 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	Corporation 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 2011	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 2011
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 2011, 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 2011 or the period following 31 December 2011 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.

Movement of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2011 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 2011	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 2011
Ng Yuk Keung	30 January 2007	22 February 2017	6.00	700,000	700,000[1]	–	–
Dong Ying	30 January 2007	22 February 2017	6.00	300,000	300,000[1]	–	–
				1,000,000	1,000,000[1]		–

Note 1: The options lapsed in July 2011 due to termination of employment.

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 2011 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 2011	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 2011
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	–	–	–	28,960,500

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

As at 31 December 2011, 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)] 110,161,215[(c)]	41.89% 7.45%
Huiyuan Holdings	619,136,588[(a)]	41.89%
China Huiyuan Holdings	619,136,588[(a)]	41.89%
Entie Commercial Bank	337,497,501	22.84%
Sino Fountain Limited[(b)]	337,497,501	22.84%
SAIF III GP Capital Ltd.[(b)]	337,497,501	22.84%
Mr. Andrew Y. Yan[(b)]	337,497,501	22.84%
Huiyuan Employees Benefit Co., Limited[(c)]	110,161,215	7.45%
Ms. Shi Xiuping[(c)]	110,161,215	7.45%
Mr. Zhao Jinlin[(c)]	110,161,215	7.45%
APG Algemene Pensioen Groep N.V.	98,774,501	6.68%
Stichting Pensioenfonds ABP	98,774,501	6.68%

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) 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..

(c) 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 2011.

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

During the year ended 31 December 2011, 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 note 27 to the consolidated financial statements on pages 100 to 101.

As at 31 December 2011, the Group had 10,397 employees (as at 31 December 2010: 11,433 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 19 to the financial statements on pages 87 to 90.

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.

Major customers and suppliers

In the year ended 31 December 2011, 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 2011 are set out in note 22 to the consolidated financial statements on pages 93 to 94.

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 32 to 38.

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 2011, 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 2011 and the respective annual caps under the Connected Transaction Agreement are set out below:

	Aggregate Amount (RMB'000)	Annual Cap (RMB'000)
Purchase of raw materials	1,036,436	1,430,000
Sale of used and recyclable containers	23,270	50,000

Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) in accordance with the Group's pricing policies for transactions involving the provision of goods by the Group;

(3) on normal commercial terms; and

(4) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and reported their conclusions to the Board that the transactions:

(1) have been approved by the Board;

(2) have been in accordance with the pricing policies of the Group for transactions involving the provision of goods by the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions during the year; and

(4) have not exceeded the annual caps disclosed in the announcements of the Company dated 19 November 2010.

Related parties transactions

The Group is also involved in a number of related party transactions during the year ended 31 December 2011, which have been disclosed in note 36 to the consolidated financial statements on pages 107 to 108.

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 2011 and found that the Non-competition Deed has been fully complied.

Charitable donations

During the year ended 31 December 2011, the Group made charitable donations amounting to approximately 515,000.00.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2011 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 36.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2011 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, 27 March 2012

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 2011, the Company has complied with the code provisions 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. On 27 March 2012, the Company has adopted the revised Corporate Governance Code published in December 2011 subject to its being effective on 1 April 2012.

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 2011.

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. 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 four Board meetings and three, three and one 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:

		Board committee meetings		
Name[1]	Board 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)*	4/4	NA	NA	1/1
JIANG Xu	4/4	NA	NA	NA
LEE Wen-chieh	3/4	NA	NA	NA
Non-executive directors				
Andrew Y. YAN	4/4	3/3	NA	1/1
Independent non-executive directors				
WANG Bing	3/4	3/3	3/3	NA
ZHAO Yali	4/4	NA	NA	1/1
SONG Quanhou	4/4	NA	3/3	NA
QI Daqing	3/4	3/3	3/3	NA

Note:

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

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 during the reporting year and up to 27 March 2012. In order to comply with the forthcoming amendments to the Hong Kong Listing Rules being effective on 1 April 2012, the Board resolved on 27 March 2012 that (i) Mr. Andrew Y. YAN would cease to be the chairman of the Remuneration and Nomination Committee of the Company but remains as a member of such Committee; (ii) Mr. WANG Bing would cease to be a member of the Remuneration and Nomination Committee; and (iii) Mr. SONG Quanhou, an independent non-executive Director of the Company, was appointed as a member and the chairman of the Remuneration and Nomination Committee, all with effect from 28 March 2012.

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 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 three 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 meeting 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 2011 in relation to non-audit assurance services and audit services are RMB2,450,000 and RMB4,418,000, 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 2011 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.

Investor relations

The Board values the importance of communications with the shareholders. The annual general meeting ("AGM") held on 20 June 2011 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. 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.

Executive Directors

Mr. ZHU Xinli (朱新禮)

aged 60, is the chairman of the Board and the founder of the Group. He is also the president of the Group. With over 20 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 more than 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 of the Broad and a director of the Company in September 2006. He is the father of Ms. Zhu Shengqin, a vice president of the Group.

Mr. JIANG Xu (江旭)

aged 50, is an executive director of the Board. He is also a vice president of the Group. He has 14 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 Company in September 2006.

Mr. LEE Wen-chieh (李文杰)

aged 52, currently is a vice president of the Company. He holds a Master degree in Business Administration. He has 20 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 Company in March 2010.

Non-executive Directors

Mr. Andrew Y. YAN (閻焱)

aged 54, has been an independent non-executive director of the Company since July 2010. He is currently the Managing Partner of SAIF Partners. Prior to joining SAIF Partners, he was the Managing Director and Head of Hong Kong office of Emerging Markets Partnership, responsible for investment in Northeast Asia and Greater China from 1994 to 2001. From 1993 to 1994, he worked at Sprint International Corporation as the Director of Strategic Planning and Business Development for the Asia Pacific Region. From 1990 to 1993, he worked in the World Bank and the Hudson Institute as an Economist and Research Fellow respectively in Washington, DC. From 1982 to 1984, he was the Chief Engineer at the Jianghuai Airplane Corp.. Mr. Yan received a bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. He studied in the Master Program in Department of Sociology of Peking University from 1984 to 1986 and received a Master of Arts' degree from Princeton University in International Political Economy in 1989.

Currently, Mr. Yan is also an independent non-executive director of China Resources Land Limited (stock code: 01109); non-executive director of Digital China Holdings Limited (stock code: 00861), MOBI Development Co., Ltd. (stock code: 00947), NVC Lighting Holding Limited (stock code: 02222), Fosun International Ltd. (stock code: 00656) and eSun Holdings Limited (stock code: 00571), all of which are listed on the Main Board of the Hong Kong Stock Exchange. He is also an independent director of Giant Interactive Group Inc., (listed on the New York Stock Exchange with stock code: GA); director of Acorn International Inc. (listed on the New York Stock Exchange with stock code: ATV), ATA Inc. (listed on Nasdaq with stock code: ATAI) and Eternal Asia Supply China Management Ltd. (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange with stock code: 002183). He was a director of Global Education & Technology Group Limited (listed on Nasdaq with stock code: GEDU) from Mar 2007 to Dec 2011; a director of China Digital TV Holding Co. Ltd. (listed on the New York Stock Exchange with stock code: STV) from May 2004 to September 2008; an independent non-executive director of China Oilfield Services

Limited (listed on the Hong Kong Stock Exchange with stock code: 02883) from September 2002 to June 2009 and an independent non-executive director of Stone Group Holdings Limited from June 2001 to November 2009, the shares of which were withdrawn from listing on the Hong Kong Stock Exchange in November 2009.

Independent Non-executive Directors

Mr. WANG Bing (王兵)

aged 44, is an independent non-executive director of the Company. 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. 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 Company in September 2006.

Ms. ZHAO Yali (趙亞利)

aged 54, is an independent non-executive director of the Company. 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 Company in September 2006.

Mr. QI Daqing (齊大慶)

aged 48, 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 50, is an independent non-executive director of the Company. 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 Company 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 57, 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.

Mr. ZHOU Hongwei (周紅衛先生)

aged 40, is a vice president of the Group in charge of the daily work of the operation team, as well as the production and sales coordination, costs management and funds management affairs. 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 experience in production, sales and financial management.

Ms. ZHU Shengqin (朱聖琴)

aged 36, 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 made substantial contribution to the Group's global offering and listing on the Hong Kong Stock Exchange in February 2007. She is a daughter of Mr. Zhu Xinli.

Ms. YU Hongli (于洪莉)

aged 43, is a vice president of the Group, in charge of production management. 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 40, 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 10 years' experience in international trade and 5 years' experience in juice and beverage production, sales and marketing management. She is a member of the 10th CPPCC Committee of Hubei.

Mr. GAO Yanxiang (高彥祥)

aged 51, 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.

Ms. MA Sau Kuen Gloria (馬秀絹)

aged 53, 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

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

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 108, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 2011, 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, 27 March 2012

Consolidated Balance Sheet

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**784,455**	563,514
Property, plant & equipment	8	**5,977,210**	5,478,331
Intangible assets	9	**457,780**	477,872
Deferred tax assets	11	**70,132**	54,765
Investments in an associate	12	**9,900**	—
Long-term receivables		**3,437**	5,219
Total non-current assets		**7,302,914**	6,579,701
Current assets			
Inventories	14	**1,149,560**	1,068,625
Trade and other receivables	13	**1,272,024**	1,302,498
Restricted cash	15	**108,902**	150,888
Cash and cash equivalents	16	**276,572**	191,983
Total current assets		**2,807,058**	2,713,994
Total assets		**10,109,972**	9,293,695
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**115**	115
Share premium	17	**3,776,401**	3,776,401
Other reserves		**252,284**	231,593
Retained earnings			
— Proposed final dividend	32	**—**	48,772
— Others		**1,247,138**	955,519
Total equity		**5,275,938**	5,012,400

Consolidated Balance Sheet (Continued)

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**52,972**	1,572,571
Deferred government grants	23	**91,899**	64,752
Long-term payable for land use rights		**—**	6,662
Long-term payable for license fee		**—**	1,325
Convertible Bonds	24	**725,328**	—
Total non-current liabilities		**870,199**	1,645,310
Current liabilities			
Trade and other payables	21	**1,406,153**	1,206,745
Taxation payable		**41,942**	57,282
Deferred revenue		**75,151**	18,460
Convertible Bonds	24	**—**	605,249
Borrowings	22	**2,440,589**	748,249
Total current liabilities		**3,963,835**	2,635,985
Total liabilities		**4,834,034**	4,281,295
Total equity and liabilities		**10,109,972**	9,293,695
Net current (liabilities)/assets		**(1,156,777)**	78,009
Total assets less current liabilities		**6,146,137**	6,657,710

Director *Director*

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10(a)	**7,528,362**	10,984,486
Loans to subsidiaries	10(b)	**76,944**	703,836
Total non-current assets		**7,605,306**	11,688,322
Current assets			
Loans to subsidiaries	10(b)	**575,238**	—
Other receivables		**990**	1,854
Cash and cash equivalents	16	**11,852**	22,653
Total current assets		**588,080**	24,507
Total assets		**8,193,386**	11,712,829
EQUITY			
Equity attributable to owners of the parent			
Ordinary shares	17	**115**	115
Share premium	17	**3,776,401**	3,776,401
Reserves	18	**1,970,515**	5,429,912
Total equity		**5,747,031**	9,206,428
LIABILITIES			
Non-current liabilities			
Borrowings	22	**—**	1,522,789
Convertible Bonds	24	**725,328**	—
Total non-current liabilities		**725,328**	1,522,789
Current liabilities			
Other payables	21	**259,156**	196,113
Borrowing	22	**1,461,871**	182,250
Convertible Bonds	24	**—**	605,249
Total current liabilities		**1,721,027**	983,612
Total liabilities		**2,446,355**	2,506,401
Total equity and liabilities		**8,193,386**	11,712,829
Net current liabilities		**(1,132,947)**	(959,105)
Total assets less current liabilities		**6,472,359**	10,729,217

Director *Director*

The notes on pages 53 to 108 are an integral part of this financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	6	**3,825,596**	3,707,954
Cost of sales	26	**(2,794,829)**	(2,345,999)
Gross profit		**1,030,767**	1,361,955
Other income — net	25	**256,460**	164,298
Selling and marketing expenses	26	**(933,871)**	(1,044,559)
Administrative expenses	26	**(340,800)**	(304,361)
Finance cost	28	**(110,120)**	(84,018)
Finance income	29	**112,954**	72,747
Unrealised gain from change of fair value of Convertible Bonds	24	**340,603**	65,875
Share of loss of an associate	12	**(100)**	—
Profit before income tax		**355,893**	231,937
Income tax expense	30	**(45,398)**	(33,651)
Profit for the year		**310,495**	198,286
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**310,495**	198,286
Attributable to:			
Equity holders of the Company		**310,495**	198,286
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB cents per share)			
— basic	31(a)	**21.0**	13.5
— diluted	31(b)	**2.2**	11.2
Dividends	32	**—**	48,772

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		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 2011		**115**	**3,776,401**	**200,540**	**31,053**	**1,004,291**	**5,012,400**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**–**	**310,495**	**310,495**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**310,495**	**310,495**
Transactions with owners							
Profit appropriation to statutory reserves		**–**	**–**	**18,889**	**–**	**(18,889)**	**–**
Dividends		**–**	**–**	**–**	**–**	**(48,759)**	**(48,759)**
Share-based payment expenses	27	**–**	**–**	**–**	**1,802**	**–**	**1,802**
Total transactions with owners		**–**	**–**	**18,889**	**1,802**	**(67,648)**	**(46,957)**
Balance at 31 December 2011		**115**	**3,776,401**	**219,429**	**32,855**	**1,247,138**	**5,275,938**
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		–	–	58,818	–	(58,818)	–
Dividends		–	–	–	–	(58,819)	(58,819)
Share-based payment expenses	27	–	–	–	4,540	–	4,540
Share 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

The notes on pages 53 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**470,177**	345,951
Interest paid		**(141,672)**	(73,496)
Interest received		**6,192**	2,775
Income tax paid		**(76,105)**	(27,450)
Cash flows generated from operating activities — net		**258,592**	247,780
Cash flows from investing activities			
Investment in associates		**(10,000)**	—
Purchase of property, plant and equipment (PPE)		**(683,917)**	(2,137,154)
Proceeds from disposal of PPE		**8,235**	5,374
Purchase of land use rights		**(85,201)**	(203,737)
Decrease/(increase) in restricted cash		**41,986**	(118,834)
Decrease in other loans and receivables		**—**	64,300
Cash flows used in investing activities — net		**(728,897)**	(2,390,051)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		**1,801,153**	2,438,906
Repayments of borrowings from bank and other financial institution		**(1,613,274)**	(761,160)
Redemption of convertible bonds	24	**(542,988)**	—
Dividends paid to the Company's shareholders		**(48,759)**	(58,819)
Proceeds from issuance of CB		**962,700**	—
Cash flows generated from financing activities — net		**558,832**	1,618,927
Exchange losses on cash and cash equivalents		**(3,938)**	(2,115)
Net increase/(decrease) in cash and cash equivalents		**84,589**	(525,459)
Cash and cash equivalents at beginning of the year	16	**191,983**	717,442
Cash and cash equivalents at end of the year	16	**276,572**	191,983

The notes on pages 53 to 108 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 27 March 2012.

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.

As of 31 December 2011, the Group's current liabilities exceeded its current assets by RMB1,156,777,000. The Group has considered the current economic environment, its ability to generate net cash inflows from its future operating activities, its expected ability to renew short-term borrowings on their maturity dates, its unused bank facilities and other refinance capabilities. After consideration of these factors, the directors believe the Group has the ability to repay its borrowings or refinance them when they mature during the 12 months period from 31 December 2011. Therefore, these financial statements have been prepared on the going concern basis.

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 2010, unless otherwise stated.

(a) New and amended standards adopted by the group

The Group has adopted the following new and amended IFRS for the financial year beginning 1 January 2011:

- IFRS 7 'Financial instruments: Disclosures', clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The amendment is applicable to annual periods beginning on or after 1 January 2011 with early adoption permitted. The clarification does not have material impact on the group's financial results for the period.

- IAS 1 'Presentation of financial statements', confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. The clarification is effective for annual periods beginning on or after 1 January 2011. The clarification does not have any impact on the group's financial results for the period.

- IFRIC — Int 13 'customer loyalty programmes' clarifies that when measuring the fair value of an award credit, entities should take into account both the value of the award that would be offered to customers and the proportion of the award credit that is not expected to be redeemed by customers. The clarification is effective for annual periods beginning on or after 1 January 2011. The clarification does not have a material impact on the group's financial results for the period.

- IAS 24 (Revised), 'Related party disclosures', clarifies and simplifies the definition of a related party. The clarification does not have any impact on the group's financial results for the period.

(b) The following amendments and interpretation to published standards are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Group's operations:

- IAS 32 (Amendment), 'Classification of rights issue' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as the Group only issued foreign-currency-dominated bonds.

- IFRIC — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 July 2011. This is not relevant to the Group, as it is an existing IFRS preparer.

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 2011 but are not relevant to the Group's operations: (Continued)

- Amendment to IFRIC Int — 14, 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not relevant to the Group, as it has no prepayment of a minimum funding requirement.

- Amendment to IFRS 7 'Disclosures — Transfer of financial assets' is effective for annual periods beginning on or after 1 January 2011. This is not relevant to the Group, as it had no transfers of financial assets.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB, except for amendment IFRS 7 'Financial instruments: Disclosures', IAS 1 'Presentation of financial statements' and IFRIC — Int 13 'customer loyalty programmes' as disclosed in note 3(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted by the group:

- IFRS 9, 'Financial instruments' (effective from 1 January 2015).

- IAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets' (effective from 1 January 2012).

- IFRS 10 'Consolidated financial statements' (effective from 1 January 2013).

- IFRS 13 'Fair value measurements' (effective from 1 January 2013).

- IAS 1 (Amendment), 'Presentation of financial statement' (effective from 1 July 2012).

- IFRS 11 'Joint arrangements' (effective from 1 January 2013).

- IFRS 12 'Disclosure of interests on other entities' (effective from 1 January 2013).

- IAS 28 (Revised 2011) 'Investments in associates and joint ventures' (effective from 1 January 2013).

- IAS 27 (Revised 2011) 'Separate financial statements' (effective from 1 January 2013).

- IAS 19 (Amendment) 'Employee benefits' (effective from 1 January 2013).

3. Summary of significant accounting policies (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted by the group: (Continued)

The Group has commenced an assessment of the impact to the Group for the above but is not yet in a position to state whether they will result in any significant changes to the Group's accounting policies and presentation of the financial statements.

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 not mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and 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.

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.

3. Summary of significant accounting policies (Continued)

3.1 Consolidation (Continued)

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The excess of the aggregate 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, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates.

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.

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

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 3.7).

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 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.

3.6 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 3.7).

3. Summary of significant accounting policies (Continued)

3.6 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. These costs are amortised over their estimated useful lives of 9.5 years.

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 ranging from 10 to 18.5 years 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.

3.7 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. Summary of significant accounting policies (Continued)

3.8 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 3.10 and 3.11).

Regular way of 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.

3.9 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.

3.10 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.

3.11 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. Summary of significant accounting policies (Continued)

3.12 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.

3.13 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.

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

3.14 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 until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

3.15 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.

3. Summary of significant accounting policies (Continued)

3.15 Convertible bonds (Continued)

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.

3.16 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 3.6(c)). They are subsequently stated at amortised cost using the effective interest method less amounts paid.

3.17 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.

3. Summary of significant accounting policies (Continued)

3.17 Current and deferred income tax (Continued)

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.

3.18 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.

3.19 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. The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of the equity instruments, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3. Summary of significant accounting policies (Continued)

3.20 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.

3.21 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.

3. Summary of significant accounting policies (Continued)

3.21 Revenue recognition (Continued)

(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.

3.22 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.

3.23 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.

3.24 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. The expected lives for machinery, buildings and building supporting facilities ranges from 13 to 50 years.

3.25 Customer loyalty program

The Group grants to its customers award credits as part of sales of goods, and subject to meeting any further qualifying conditions, the customers can redeem in the future free or discounted goods or services. The Group recognizes the consideration allocated to award credits as revenue when award credits are redeemed and it fulfils its obligations to supply awards.

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 2011 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2011, 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 2011 would have been decreased/increased by RMB15,761,000 (2010: RMB16,282,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

As at 31 December 2011, 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 2011 would have been increased/decreased by RMB48,000 (2010: RMB1,870,000), 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 conversion rights of the Convertible Bonds. A rise of the stock price will be accompanied by an increase in the fair value of the conversion rights which will increase the liability of the Group.

(c) *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 RMB202,298,000 as at 31 December 2011 (2010: RMB77,443,000), representing 35% of the total balance of trade receivables at 31 December 2011 (2010: 20%).

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) *Credit risk* (Continued)

No material 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 bank balances held at the five major banks at the balance sheet date, all of which are state-owned or listed banks in the Chinese domestic capital markets. These balances represent 86% of total bank balances at 31 December 2011 (2010: 91%).

Cash and cash equivalents

	2011 RMB'000	2010 RMB'000
Bank of Communications Co., Ltd.	**185,223**	49,188
Shanghai Pudong Development Bank	**58,600**	220
Bank of China Limited	**35,324**	85,481
Industrial and Commercial Bank of China Limited	**29,863**	10,468
Agricultural Bank of China	**22,936**	9,268
	331,946	154,625

In 2011, there are no time deposits denominated in RMB in banks represented as other loans and receivables.

(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 2011				
Non-current bank borrowings	–	19,303	33,669	–
Current bank borrowings	2,440,589	–	–	–
Interest payable for bank borrowings	42,558	3,673	3,220	–
Convertible bonds	–	–	725,328	–
Trade and other payables	1,337,211	–	–	–
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	–	–
Company				
At 31 December 2011				
Current bank borrowings	1,461,871	–	–	–
Interest payable for bank borrowings	12,796	–	–	–
Convertible bonds	–	–	725,328	–
Other payables	259,156	–	–	–
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	–	–	–
Other payables	196,113	–	–	–

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 2011, 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 RMB329,000 (2010: RMB667,000) 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 (including Convertible Bonds) and as the total borrowing (excluding Convertible Bonds) divided by capital and reserves attributable to equity holders of the Company. During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the debt-to-equity ratio within 55% to 65% (including Convertible Bonds) and 45% to 50% (excluding Convertible Bonds).

As at 31 December 2011, the debt-to-equity ratio was 61.0% (including Convertible Bonds) (2010: 58.4%), and 47.3% (excluding Convertible Bonds) respectively (2010: 46.3%).

4.3 Fair value estimation

The disclosure of fair value measurements 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 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	—	—	86,206	86,206

The fair value of conversion rights of the Convertible Bonds, together with redemption rights (considered as a single derivative) (the "embedded derivatives") was valued by estimating the value of the whole bond with and without the embedded derivatives. As for the change in level 3 instruments for the year ended 31 December 2011, please refer to Note 24.

If the market price had been 10% higher/lower than management's estimates at 31 December 2011, it would have increased/decrease by RMB13,526,000 for fair value of conversion rights. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2011, it would have increased/decrease by RMB9,055,000 for fair value of conversion rights. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2011, it would have increased/decrease by RMB1,787,000 for fair value of conversion rights.

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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

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

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.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.6(a). The recoverable amounts of the cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

As of 31 December 2011, value-in-use amount of the cash-generating unit ("CGU") is higher than the carrying amount of the CGU. If the gross profit margin used in the value-in-use calculation for the CGU had been 3% lower than management's estimates at 31 December 2011, the value-in-use of the CGU would have decreased by 5% which is approximately the carrying amount of the CGU.

(c) Impairment of investments in subsidiaries

Where there are indicators for impairment, the carrying value of the parent entity's investment in the subsidiaries in the parent's separate financial statements should also be reviewed for impairment. The recoverable amount has been determined based on the higher of fair value less costs to sell and value-in-use calculations. The calculations require the use of estimates which are almost same as those used in value-in-use calculations of goodwill (Note 9).

According to the value-in-use calculations, an impairment charge of RMB3,700,467,000 arose during the course of the 2011 year, resulting in the carrying amount of the investment in subsidiaries being written down to its recoverable amount. If the gross profit margin used in the value-in-use calculations had been 3% lower than management's estimates at 31 December 2011, the group would have recognized a further impairment of investment in subsidiaries by RMB308,000,000 and would need to further reduce the carrying value of investments in subsidiaries.

(d) 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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(d) Useful lives and impairment assessment of sales distribution networks (Continued)

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.

(e) 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.

(f) 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.

(g) 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.

(h) 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 revenue from a product perspective. The Group's expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers, which are considered as one segment. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of revenue. 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 revenue by product category is as follows:

	2011 RMB'000	2010 RMB'000
100% juice products	**938,829**	876,636
Nectars	**1,304,259**	1,466,810
Juice drinks	**1,041,028**	1,053,698
Other beverage products	**541,480**	310,810
	3,825,596	3,707,954

The Group made barter sales of approximately RMB29,152,000 (2010: RMB89,003,000) during the year in exchange for transportation vehicles, refrigerators, other tangible assets and advertising services.

7. Land use rights — Group

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	2011 RMB'000	2010 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	**784,455**	563,514
Total	**784,455**	563,514
Representing:		
Opening net book amount	**563,514**	494,085
Additions	**239,639**	79,969
Amortization of prepaid operating lease payments (Note 26)	**(17,021)**	(10,540)
Termination of land use rights agreement	**(1,677)**	—
Closing net book amount	**784,455**	563,514

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 2011						
Opening net book amount	**681,294**	**2,069,766**	**64,607**	**167,116**	**2,495,548**	**5,478,331**
Additions	**20,049**	**4,551**	**10,000**	**26,593**	**742,191**	**803,384**
Transfer upon completion	**135,068**	**631,641**	**2,370**	**31,980**	**(801,059)**	**—**
Disposals	**—**	**(4,149)**	**(3,011)**	**(1,063)**	**—**	**(8,223)**
Depreciation (a) (Note 26)	**(23,457)**	**(217,764)**	**(13,201)**	**(41,860)**	**—**	**(296,282)**
Closing net book amount	**812,954**	**2,484,045**	**60,765**	**182,766**	**2,436,680**	**5,977,210**
At 31 December 2011						
Cost	**919,720**	**3,641,893**	**159,509**	**295,254**	**2,436,680**	**7,453,056**
Accumulated depreciation	**(106,766)**	**(1,157,848)**	**(98,744)**	**(112,488)**	**—**	**(1,475,846)**
Net book amount	**812,954**	**2,484,045**	**60,765**	**182,766**	**2,436,680**	**5,977,210**
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 26)	(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:

	2011 RMB'000	2010 RMB'000
Cost of sales	**187,778**	180,112
Administrative expenses	**63,614**	57,720
Selling and marketing expenses	**44,890**	31,706
	296,282	269,538

(b) Operating lease rentals amounting to approximately RMB10,593,000 for the year ended 31 December 2011 (2010: RMB13,246,000) 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 2011 (2010: nil).

(d) There are no buildings as at 31 December 2011 (2010: nil) built on land which the Group is in the process of applying for the land use rights.

(e) During the year, the group has capitalised borrowing costs amounting to RMB123,428,000 (2010: RMB50,586,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.62% (2010: 2.18%).

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 2011						
Opening net book amount	**174,612**	**166,067**	**134,668**	**2,080**	**445**	**477,872**
Additions	**–**	**–**	**–**	**–**	**15**	**15**
Amortisation charge (a) (Note 26)	**(13,043)**	**–**	**(5,930)**	**(1,074)**	**(60)**	**(20,107)**
Closing net book amount	**161,569**	**166,067**	**128,738**	**1,006**	**400**	**457,780**
At 31 December 2011						
Cost	**193,294**	**166,067**	**177,905**	**11,863**	**574**	**549,703**
Accumulated amortisation and impairment (b)	**(31,725)**	**–**	**(49,167)**	**(10,857)**	**(174)**	**(91,923)**
Net book amount	**161,569**	**166,067**	**128,738**	**1,006**	**400**	**457,780**
Year ended 31 December 2010						
Opening net book amount	187,738	166,067	140,598	3,154	501	498,058
Amortisation charge (a) (Note 26)	(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 and sales of juice in the PRC. Therefore, this acquired business was viewed as one cash-generating unit ("CGU"). The recoverable amounts of the CGU have been determined based on value-in-use calculations.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a seven-year period when optimum utilization of production capacity reached. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates of 3%.

The other key assumptions used for value-in-use calculations in 2011 include budgeted gross margin and discount rate applied to the cash flow projections, which are in a range of 27%–35% and 12.21%, respectively.

Management determined budgeted gross margin based on past performance and its expectations of market developments.

The directors are of the view that there was no impairment of goodwill as at 31 December 2011.

(c) Sales distribution networks

The Group paid RMB154 million to acquire certain sales distribution networks from certain major distributors in May 2008.

Another sales distribution networks amounting to RMB39,560,000 were identified during the acquisition transaction of milk beverage business in July 2009.

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	
	2011 RMB'000	**2010 RMB'000**
Unlisted equity investments, at cost:	**11,201,467**	10,958,926
Capital contribution relating to share-based payment	**27,362**	25,560
Less: Impairment provision	**(3,700,467)**	—
	7,528,362	10,984,486

The following is a list of the principal subsidiaries at 31 December 2011:

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%
Huiyuan Europe Limited*	The UK	Sales of fruit related products	GBP1,000	100%
Huiyuan Europe GmbH*	Germany	Sales of fruit related products	EUR25,000	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%

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 2011: (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Indirectly held (continued)				
[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%
[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]Guizhou Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	RMB50,000,000	100%
[1]Gansu Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	RMB50,000,000	100%
[1]XuRiSheng(Hengshui) Beverage Co., Ltd. *	The PRC	Manufacture of “XuRiSheng” ice tea beverage	RMB30,000,000	100%

1. All subsidiaries were collectively viewed as one CGU. The recoverable amounts of the CGU have been determined based on value-in-use calculations. The key assumptions are the same with value-in-use calculations assumptions of the goodwill (Note 9(b)).

2. 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 2011, the registered capital of which amounted to GBP1,000, EUR25,000 and RMB13,000,000.

(b) Loans to subsidiaries

The loans to subsidiaries are unsecured, with interest rate of 3%, and terms of 3–10 years, which were denominated in USD and EUR.

11. Deferred tax assets — Group

	2011 RMB'000	2010 RMB'000
Tax losses	**31,131**	29,523
Deferred revenue and other unpaid payables	**18,907**	2,868
Amortisation of trademark	**7,570**	7,917
Government grants received	**4,558**	4,741
Provision for impairment of inventories	**3,451**	3,370
Unrealised profit	**2,278**	3,585
Provision for impairment of receivables	**576**	527
Other temporary differences	**1,661**	2,234
	70,132	54,765

The analysis of deferred tax assets is as follows:

	2011 RMB'000	2010 RMB'000
— Deferred tax asset to be recovered after more than 12 months	**18,298**	6,453
— Deferred tax asset to be recovered within 12 months	**51,834**	48,312
	70,132	54,765

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

	2011 RMB'000	2010 RMB'000
At 1 January	**54,765**	35,760
Consolidated statement of comprehensive income credit (note 30)	**15,367**	19,005
At 31 December	**70,132**	54,765

11. 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	Deferred revenue and other unpaid payables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	5,668	5,193	8,264	6,088	4,590	2,096	3,861	35,760
Credited/(Charged) to the consolidated statement of comprehensive income	(1,771)	(452)	(347)	23,435	(1,005)	772	(1,627)	19,005
At 31 December 2010	**3,897**	**4,741**	**7,917**	**29,523**	**3,585**	**2,868**	**2,234**	**54,765**
Credited/(Charged) to the consolidated statement of comprehensive income	**130**	**(183)**	**(347)**	**1,608**	**(1,307)**	**16,039**	**(573)**	**15,367**
At 31 December 2011	**4,027**	**4,558**	**7,570**	**31,131**	**2,278**	**18,907**	**1,661**	**70,132**

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 RMB52,917,000 (2010: RMB25,120,000) in respect of losses amounting to RMB211,668,000 (2010: RMB100,480,000) that can be carried forward against future taxable income. Losses amounting to RMB12,347,000 (2010: RMB22,615,000) and RMB323,451,000 (2010: RMB234,325,000) will expire in 2012 and the years between 2013 and 2016 respectively.

Deferred income tax liabilities of RMB55,901,000 (2010: RMB59,168,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings, totalling RMB559,010,000 at 31 December 2011 (2010: RMB591,678,000), 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 2011 and 2010 since the Group has no plan to distribute such profits in the foreseeable future.

12. Investments in an associate — Group

	2011 RMB'000
At 1 January 2011	
Capital injection in an associate company	**10,000**
Share of loss of an associate	**(100)**
At 31 December 2011	**9,900**

The group's share of the results of its principal associates, and its aggregated assets (including goodwill) and liabilities, are as follows:

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Loss RMB'000	% interest held
31-Dec-11						
Golden Creation (Tianjin) Trade Co. Ltd.	China	44,845	16,232	23,423	(380)	26.18
		44,845	16,232	23,423	(380)	

13. Trade and other receivables — Group

	2011 RMB'000	2010 RMB'000
Trade receivables	**574,786**	392,238
Related parties (a) (Note 36(c))	**295**	1,242
Third parties (a)	**606,058**	411,083
Less: Provision for impairment of receivables (a)	**(31,567)**	(20,087)
Bills receivable — third parties (b)	**38,493**	45,642
Prepayments of raw materials and others — third parties	**231,441**	508,776
Deductible VAT-input balance	**307,110**	292,766
Other receivables	**120,194**	63,076
Related parties (Note 36(c))	**100,912**	47,365
Third parties	**19,282**	15,711
	1,272,024	1,302,498

The carrying amounts of receivables approximate their fair values.

13. Trade and other receivables — Group (Continued)

(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. The majority of the Group's sales are settled in cash or by cheque on delivery of goods, 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 customers are with credit terms of 90 to 180 days. Certain customers with long-term relationship are extended preferential credit terms exceeding 180 days. As at 31 December 2011 and 2010, the ageing analysis of the receivables was as follows:

— Third parties

	2011 RMB'000	2010 RMB'000
Within 3 months	**452,838**	312,238
Between 4 and 6 months	**70,724**	64,502
Between 7 and 12 months	**54,298**	14,256
Between 1 and 2 years	**18,210**	16,160
Over 2 years	**9,988**	3,927
	606,058	411,083

— Related parties

	2011 RMB'000	2010 RMB'000
Within 3 months	**106**	1,242
Over 3 months	**189**	—
	295	1,242

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

	2011 RMB'000	2010 RMB'000
At 1 January	**(20,087)**	(16,418)
Provision for impairment of receivables	**(11,480)**	(3,669)
At 31 December	**(31,567)**	(20,087)

13. Trade and other receivables — Group (Continued)

(a) (Continued)

As at 31 December 2011, trade receivables of RMB31,567,000 (2010: RMB20,087,000) were past due and fully provided for. There is no trade receivable past due but not impaired. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2011 RMB'000	2010 RMB'000
7 to 12 months	**3,369**	—
Over 1 year	**28,198**	20,087
	31,567	20,087

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

	2011 RMB'000	2010 RMB'000
Renminbi	**561,189**	371,145
U.S. Dollar	**13,597**	21,093
	574,786	392,238

The creation and release of provisions for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income (Note 26). 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. All the bills receivables are dominated in Renminbi.

Bill receivables valued RMB18,400,000 were pledged as security for current bank borrowings of RMB16,500,000 as at 31 December 2011 (2010: nil).

14. Inventories — Group

	2011 RMB'000	2010 RMB'000
Raw materials	**711,749**	693,330
Finished goods	**157,276**	169,446
Spare parts and consumable materials	**280,535**	205,849
	1,149,560	1,068,625

The cost of inventories recognised as expenses amounted to RMB2,272,312,000 (2010: RMB1,881,900,000), which included inventory write-down of RMB26,233,000 (2010: RMB16,171,000).

15. Restricted cash

Restricted cash comprised letter of credit deposits for the purchasing of equipment and deposits for note payables. All the restricted cash is dominated in Renminbi.

16. Cash and cash equivalents

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at banks and cash in hand				
Denominated in				
— Renminbi Yuan	**330,639**	284,652	**—**	—
— U.S. Dollars	**50,963**	34,243	**11,825**	22,588
— Euros	**3,845**	17,227	**—**	—
— Others	**27**	6,749	**27**	65
	385,474	342,871	**11,852**	22,653
Less: Restricted cash (Note 15)				
— pledged for letter of credits	**(50,902)**	(150,888)	**—**	—
— deposit for note payables	**(58,000)**	—	**—**	—
	276,572	191,983	**11,852**	22,653

At present, Renminbi is not a freely convertible currency in international markets. 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 2011	**1,477,953**	**115**	**3,776,401**	**3,776,516**
At 31 December 2011	**1,477,953**	**115**	**3,776,401**	**3,776,516**
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

18. Reserve of the Company

	Company RMB'000
At 1 January 2011	**5,429,912**
Loss for the year	**(3,412,440)**
Capital contribution relating to share-based payment	**1,802**
Dividends paid	**(48,759)**
At 31 December 2011	**1,970,515**
At 1 January 2010	5,431,634
Profit for the year	52,846
Capital contribution relating to share-based payment	4,251
Dividends paid	(58,819)
At 31 December 2010	5,429,912

19. 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.

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

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

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 2011	Number of options lapsed or cancelled during the year	Number of options exercised during the year	Number of options outstanding as at 31 December 2011	Date of expiry	Exercise price (HK$)
30 January 2007	1,000,000	–	–	1,000,000	22 February 2017	6.00

The Pre-IPO options outstanding as at 31 December 2011 have the following vesting dates and weighted average exercise price:

Vesting Date	2011 Exercise price (per share) HK$	2011 Outstanding options (Thousands)	2010 Exercise price (per share) HK$	2010 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 2011, 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.

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

(c) Fair value of share options

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.

Movement of the options granted under the share option scheme during the period ended 31 December 2011 is as follows:

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 2011	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 2011
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	–	–	–	28,960,500

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.

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

(c) Fair value of share options (Continued)

Fair values of the Pre-IPO Share Options and the Share Options are charged to the income statement over the vesting periods of the options. Total share option expenses charged to the condensed consolidated statement of comprehensive income for the year ended 31 December 2011 amounted to RMB1,802,000 (corresponding period in 2010: RMB4,540,000).

20. 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

20. Employee benefit plan (Continued)

(b) Fair value (Continued)

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 2011.

21. Trade and other payables

Group	**2011 RMB'000**	**2010 RMB'000**
Trade payables (a)(b)	**900,622**	726,445
Related parties (Note 36(c))	**457,251**	323,217
Third parties	**443,371**	403,228
Other payables	**505,531**	480,300
Related parties (Note 36(c))	**63,312**	4,584
Third parties (c)	**442,219**	475,716
	1,406,153	1,206,745

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

— Third parties

	2011 RMB'000	**2010 RMB'000**
Within 3 months	**400,362**	368,625
Between 4 and 6 months	**19,851**	24,985
Between 7 and 12 months	**13,538**	4,647
Between 1 and 2 years	**6,180**	2,421
Between 2 and 3 years	**2,321**	1,556
Over 3 years	**1,119**	994
	443,371	403,228

21. Trade and other payables (Continued)

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

— Related parties

	2011 RMB'000	2010 RMB'000
Within 3 months	**312,718**	271,775
Between 4 and 6 months	**142,260**	35,332
Between 7 and 12 months	**2,273**	16,110
	457,251	323,217

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

	2011 RMB'000	2010 RMB'000
Renminbi	**874,804**	694,556
U.S. Dollar	**25,818**	31,889
	900,622	726,445

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

	2011 RMB'000	2010 RMB'000
Payable for property, plant and equipment	**107,294**	180,488
Deposits payable	**153,068**	170,920
Advertising expenses payable	**51,706**	10,556
Advance from customers	**38,774**	22,040
Accrued expenses	**30,361**	45,332
Salary and welfare payable	**17,095**	25,112
Other taxes	**9,967**	4,101
Payable for land use rights	**—**	1,333
Payable of share insurance cost	**—**	1,294
Others	**33,954**	14,540
	442,219	475,716

Company	2011 RMB'000	2010 RMB'000
Amount due to subsidiaries	**259,156**	196,113

22. Borrowings

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Non-current				
Bank borrowings	**52,972**	1,572,571	**—**	1,522,789
Current				
Other financial institution borrowings	**3,000**	—	**—**	—
Bank borrowings	**2,437,589**	748,249	**1,461,871**	182,250
Total Bank borrowings	**2,493,561**	2,320,820	**1,461,871**	1,705,039

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Unsecured	**2,477,001**	2,320,820	**1,461,871**	1,705,039
Secured	**16,560**	—	**—**	—
Total Bank borrowings	**2,493,561**	2,320,820	**1,461,871**	1,705,039

The Group had bank borrowings of RMB16,560,000 secured by note receivable as at 31 December 2011. The Group had no borrowings secured by property, plant and equipment, and land use rights.

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Wholly repayable within 5 years	**2,493,561**	2,320,820	**1,461,871**	1,705,039

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
— Within 6 months	**2,366,735**	1,985,002	**1,461,871**	1,705,039
— 6-12 months	**126,826**	335,818	**—**	—
Total	**2,493,561**	2,320,820	**1,461,871**	1,705,039

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

	Group		Company	
	2011	2010	2011	2010
Bank borrowings	**6.89%**	4.16%	**5.81%**	3.77%

22. Borrowings (Continued)

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
U.S. Dollar	**1,461,871**	1,705,039	**1,461,871**	1,705,039
EUR	**24,896**	—	**—**	—
Reminbi	**1,006,794**	615,781	**—**	—
	2,493,561	2,320,820	**1,461,871**	1,705,039

According to the terms of a long-term loan agreement in respect of a loan of US$225,000,000, the Company has the right to repay the loan earlier than scheduled. In December 2011, the directors of the Company made a decision to repay this loan in 2012. Therefore this loan is classified as current liability as of 31 December 2011. On 21 March and 23 March 2012, the Company repaid US$100,000,000 and US$125,000,000 of the loan respectively.

The Group has undrawn borrowing facilities of RMB1.97 billion as of 31 December 2011 (2010: RMB2.18 billion).

23. Deferred government grants — Group

	2011 RMB'000	2010 RMB'000
Opening net amount at beginning of year	**64,752**	64,003
Additions	**30,536**	4,906
Amortisation credit (Note 25)	**(3,389)**	(4,157)
Closing net amount at end of year	**91,899**	64,752
At end of year		
Cost	**114,558**	85,163
Accumulated amortisation	**(22,659)**	(20,411)
Net book amount	**91,899**	64,752

23. Deferred government grants — Group (Continued)

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

	2011 RMB'000	2010 RMB'000
For acquisition of property, plant and equipment	**44,998**	38,201
For acquisition of land use right	**55,655**	44,820
Others	**13,905**	2,142
	114,558	85,163

24. Convertible Bonds

(1) Convertible bonds due on 28 June 2011

	2011 RMB'000	2010 RMB'000
Convertible bonds due 2011, liability component	**–**	529,499
Fair value of embedded derivatives	**–**	75,750
	–	605,249

Major terms and conditions of the 2011 Convertible Bonds are the same as those described in the annual financial statements for the year ended 31 December 2008.

On 28 June 2011, the company redeemed the outstanding bonds with a face value of USD65,000,000 upon maturity.

	RMB'000
Fair value of conversion rights as at 31 December 2010	75,750
Less: Fair value of conversion rights as at 28 June 2011	—
Fair value changes of conversion rights	75,750

	RMB'000
Liability component as at 31 December 2010	529,499
Add: Interest expense for the period (note 28)	29,303
Less: Interest payment during the period	(5,231)
Less: Realised exchange gain (note 29)	(10,583)
Redemption of 2011 convertible bonds	(542,988)
Liability component as at 28 June 2011	—

24. Convertible Bonds (Continued)

(2) Convertible bonds due on 29 April 2016

	2011 RMB'000	2010 RMB'000
Convertible Bonds due 2016, liability components	**639,122**	—
Fair value of embedded derivatives	**86,206**	—
	725,328	—

On 29 April 2011, the Company issued an aggregate of US$150,000,000 convertible bonds due 29 April 2016 (the "2016 Convertible Bonds").

The major terms and conditions of the 2016 Convertible Bonds are as follows:

(a) *Interest rate:*
The Company shall pay an interest on the 2016 Convertible Bonds at 4.0% per annum.

(b) *Conversion price:*
The 2016 Convertible Bonds will be convertible into Shares at the initial Conversion Price of HK$6.812 per Share, subject to adjustments. The Conversion Price will be subject to adjustment for, amongst others, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities, issues at a certain discount to current market price, Change of Control and other usual adjustment events. The Conversion Price may not be reduced so that the Conversion Shares would fall to be issued at a discount to their par value.

(c) *Maturity*
Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each 2016 Convertible Bond on 29 April 2016 at 105.60% of its principal amount together with accrued and unpaid interest.

(d) *Redemption at the Option of the Company*
The Company may:

(i) upon giving not less than 30 and not more than 90 days' notice to the Bondholders, at any time after 29 April 2014 redeem all outstanding Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption, provided that the closing price of the Shares for each of the 30 consecutive Trading Days prior to the date upon which notice of such redemption is published, was at least 130% of the then Conversion Price in effect on each such Trading Day; or

24. Convertible Bonds (Continued)

(2) Convertible bonds due on 29 April 2016 (Continued)

(d) Redemption at the Option of the Company (Continued)

(ii) upon giving not less than 30 not more than 60 days' notice to the Bondholders, at any time redeem all outstanding 2016 Convertible Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the 2016 Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

(e) Redemption at the Option of the holders

The Company will, at the option of the holder of any 2016 Convertible Bond, redeem all or some only of such holder's 2016 Convertible Bonds on 29 April 2014 at 103.19% of the principal amount, together with interest accrued to the date fixed for redemption.

(f) Redemption for Delisting or Change of Control

Following the occurrence of a Change of Control or delisting of the Company (including suspension of trading of the Shares on the Stock Exchange for a period equal to or more than 30 consecutive Trading Days) (the "Relevant Event"), the holder will have the right to require the Company to redeem all, or but not some only, of such holder's 2016 Convertible Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption.

The fair value of the 2016 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 as the proceeds of the 2016 convertible bonds (net of transaction cost) minus the fair value of the embedded derivatives of the 2016 convertible bonds (defined as "conversion right" in the valuer's report). The fair value of the conversion rights and redemption rights (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 rights as at 29 April 2011	351,059
Less: Fair value of conversion rights as at 31 December 2011	(86,206)
Fair value changes of conversion rights	264,853

24. Convertible Bonds (Continued)

(2) Convertible bonds due on 29 April 2016 (Continued)

The fair value change in the conversion right for the period ended 31 December 2011 is RMB264,853,000, which is recognised in the consolidated statement of comprehensive income and disclosed separately. The related interest expense of the liability component of the 2016 Convertible Bonds for the period ended 31 December 2011 amounted to RMB65,028,000, which is calculated using the effective interest method with an effective interest rate of 16.45%.

	RMB'000
Liability component as at 29 April 2011	611,641
Add: Interest expense for the period (note 28)	65,028
Less: Interest payment during the period	(19,006)
Less: Unrealised exchange gain (note 29)	(18,541)
Liability component as at 31 December 2011	639,122

The fair value of the liability component of the 2016 Convertible Bonds at 31 December 2011 amounted to RMB774,005,000. The fair value is calculated using cashflows discounted at a rate of 10.84%.

25. Other income – net

	2011 RMB'000	2010 RMB'000
Government subsidy income	**200,532**	108,205
Net income from sales of materials and scrap	**46,229**	44,951
Amortisation of deferred government grants (Notes 23)	**3,389**	4,157
Gain on disposals of property, plant and equipment	**248**	2,030
Donation	**(515)**	(2,321)
Net income from sales of trucks	**—**	—
Sales of trucks	**8,550**	—
Cost of trucks	**(8,550)**	—
Others	**6,577**	7,276
	256,460	164,298

26. Expenses by nature

	2011 RMB'000	2010 RMB'000
Raw materials used in inventories (Note 14)	**2,272,312**	1,881,900
Advertising and other marketing expenses	**624,374**	729,197
Depreciation of property, plant and equipment (Note 8)	**296,282**	269,538
Employee benefit expense (Note 27)	**251,920**	250,101
Water and electricity	**193,418**	175,048
Transportation and related charges	**161,834**	164,727
Repairs and maintenance	**28,644**	33,641
Land use tax	**28,382**	16,703
Impairment loss of inventories	**26,233**	16,171
Travelling expense	**25,777**	26,693
Office and communication expenses	**21,240**	27,536
Amortization of trade mark and license right (Note 9)	**20,107**	20,186
Amortization of land use rights (Note 7)	**17,021**	10,540
Impairment loss for trade and other receivables (Note 13)	**11,480**	3,669
Rental expenses	**10,593**	13,246
Auditors' remuneration	**4,418**	4,280
Other expenses	**75,465**	51,743
Total cost of sales, selling and marketing and administrative expenses	**4,069,500**	3,694,919

27. Employee benefit expense

	2011 RMB'000	2010 RMB'000
Wages and salaries	**212,888**	212,119
Contributions to pension plan and other benefits	**37,230**	33,442
Share-based payment expenses	**1,802**	4,540
	251,920	250,101

(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.

27. Employee benefit expense (Continued)

(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:

	2011 RMB'000	2010 RMB'000
Salaries, wages and bonuses	**3,227**	3,579
Contributions to pension plan	**54**	50
Welfare and other expenses	**62**	56
	3,343	3,685

The emoluments of the directors were as follows:

	2011			
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	**1,241**	**30**	**37**	**1,308**
LEE Wen–chieh	**757**	**—**	**—**	**757**
Jiang Xu	**429**	**24**	**25**	**478**
Andrew Y. Yan	**—**	**—**	**—**	**—**
Wang Bing	**200**	**—**	**—**	**200**
Zhao Yali	**200**	**—**	**—**	**200**
Song Quanhou	**200**	**—**	**—**	**200**
Qi Daqing	**200**	**—**	**—**	**200**

	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

None of the directors waived any emoluments during the years ended 31 December 2011 and 2010.

27. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2010: nil).

(c) Five highest paid individuals

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

	Number of individuals	
	2011	**2010**
Directors	**3**	3
Other senior management	**2**	2

The five highest paid individuals include three (2010: three) directors whose emoluments were reflected in the analysis presented in Note 27(b). Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2011 RMB'000	**2010 RMB'000**
Salaries, wages and bonuses	**902**	1,168
Contributions to pension plan	**48**	44
Welfare and other expenses	**53**	45
Share-based payment expenses	**7**	28
	1,010	1,285

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

	Number of individuals	
	2011	**2010**
Nil–HK$1,000,000 (equivalent to approximately RMB810,700 on 31 December, 2011 or RMB850,900 on 31 December, 2010)	**2**	1
Above HK$1,000,000	**–**	1

28. Finance cost

	2011 RMB'000	2010 RMB'000
Interest expenses:		
— Bank borrowings wholly repayable within 5 years	**134,001**	74,833
— Interest expense relating to Convertible Bonds (Note 24)	**94,331**	59,771
— Financing cost of repaying long term payables	**5,216**	—
Less: Interest capitalised	**(123,428)**	(50,586)
	110,120	84,018
Weighted average effective interest rates used to calculate capitalisation amount	**4.62%**	2.18%

29. Finance income

	2011 RMB'000	2010 RMB'000
Interest income:		
— from bank deposits	**6,192**	2,775
Exchange gain (excluding Convertible Bonds)	**77,638**	54,277
Exchange gain on liability component of Convertible bonds (Note 24)	**29,124**	15,695
	112,954	72,747

30. Income tax expense

	2011 RMB'000	2010 RMB'000
Current income tax — PRC enterprise income tax	**60,765**	52,656
Deferred income tax credit (Note 11)	**(15,367)**	(19,005)
	45,398	33,651

30. Income tax expense (Continued)

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:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**355,893**	231,937
Tax calculated at the statutory tax rates of 25% (2010: 25%)	**88,973**	57,984
Tax effect:		
Fair value change in conversion right of convertible bonds not subject to tax (Note 24)	**(85,151)**	(16,469)
Expense not deductible for tax purpose	**6,305**	6,957
Tax losses for which no deferred income tax asset was recognised	**52,917**	25,120
Preferential tax rates on the income of certain subsidiaries	**(872)**	(3,508)
Income not subject to tax	**(16,774)**	(36,433)
Income tax expense	**45,398**	33,651

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 National 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 2010 and 2011 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.

31. Earnings 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.

	2011 RMB'000	2010 RMB'000
Profit attributable to equity holders of the Company	**310,495**	198,286
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,471,195
Basic earnings per share (RMB cents)	**21.0**	13.5

(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:

	2011 RMB'000	2010 RMB'000
Profit attributable to equity holders of the Company	**310,495**	198,286
Add: Interest expense relating to Convertible Bonds (Note 24)	**94,331**	59,771
Less: Unrealised exchange gain relating to Convertible Bonds (Note 24)	**(29,124)**	(15,695)
Less: Fair value changes of conversion rights of Convertible Bonds (Note 24)	**(340,603)**	(65,875)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**35,099**	176,487
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,471,195
Adjustment for Convertible Bonds (thousands)	**145,104**	98,774
Adjustment for share options (thousands)	**—***	—*
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,623,057**	1,569,969
Diluted earnings per share (RMB cents)	**2.2**	11.2

* In 2010 and 2011, share options are antidilutive and have therefore been excluded from the calculation of diluted earnings per share.

32. Dividends

The board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2011.

33. Notes to consolidated cash flow statement

	2011 RMB'000	2010 RMB'000
Profit before income tax	**355,893**	231,937
Adjustments for:		
— Share-based payment expenses (Note 27)	**1,802**	4,540
— Fair value changes of convertible right of Convertible Bonds (Note 24)	**(340,603)**	(65,875)
— Amortisation of deferred government grants (Note 23)	**(3,389)**	(4,157)
— Depreciation of property, plant and equipment (Note 8)	**296,282**	269,538
— Amortization of trade mark and license right (Note 9)	**20,107**	20,186
— Amortization of land use rights (Note 7)	**17,021**	10,540
— Impairment loss of inventory	**26,233**	16,171
— Provision for trade receivable (Note 13)	**11,480**	3,669
— Gain on disposal of property, plant and equipment (Note 25)	**(248)**	(2,030)
— Termination of LUR agreement (Note 7)	**(1,677)**	—
— Interest income from bank deposits (Note 29)	**(6,192)**	(2,775)
— Interest expense relating to Convertible Bonds (Note 28)	**94,331**	59,771
— Interest expense (Note 28)	**10,573**	24,247
— Share of loss of an associate (Note 12)	**100**	—
— Exchange gains on Convertible Bonds (Notes 29)	**(29,124)**	(15,695)
— Exchange gain (excluding Convertible Bonds) (Note 29)	**(77,638)**	(54,277)
	374,951	495,790
Changes in working capital:		
— Inventories	**(107,168)**	(96,217)
— Trade and other receivables	**(477,961)**	(133,271)
— Trade and other payables	**623,664**	96,193
— Deferred revenue	**56,691**	(16,544)
Cash generated from operations	**470,177**	345,951

Non-cash transactions

For the years ended 31 December 2011 and 2010, the purchase of property, plants and equipment amounting to RMB683,917,000 and RMB2,137,154,000, of which RMB107,294,000 and RMB180,488,000 have not been settled as at 31 December 2011 and 2010.

34. Contingencies

There were no material contingent liabilities as at 31 December 2011 (2010: nil).

35. Commitments

(a) Capital commitments

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

	2011 RMB'000	2010 RMB'000
Purchase of property, plant and equipment	**103,848**	202,101

(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

	2011 RMB'000	2010 RMB'000
No later than 1 year	**2,214**	3,682
Later than 1 year and no later than 5 years	**8,000**	8,000
Later than 5 years	**—**	4,000
	10,214	15,682

36. 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.

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

Continuing transaction

	2011 RMB'000	2010 RMB'000
Sales of goods and services		
Sales of recyclable containers	**23,270**	37,073
Income for provision of power and other utilities	**2,420**	3,788
	25,690	40,861
Purchase of materials and services		
Purchase of raw materials	**1,036,436**	783,895
Rental expenses for lease of property, plant and equipment and land use rights	**2,000**	2,000
Expenses for power and other utilities	**774**	1,266
	1,039,210	787,161
Key management compensation		
Salaries, wages and bonuses	**6,361**	7,442
Contributions to pension plan	**201**	184
Welfare and other expenses	**229**	222
Share option expenses	**1,802**	4,540
	8,593	12,388

In the year of 2010 and 2011, 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.

36. Related-party transactions (Continued)

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

Discontinued transactions

	2011 RMB'000	2010 RMB'000
Sales of goods and services		
Sales of raw materials to related parties	**27,748**	1,244
	27,748	1,244

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

	2011 RMB'000	2010 RMB'000
Trade receivables	**295**	1,242
Other balance due from related parties	**100,912**	47,365
Trade payables	**457,251**	323,217
Other balance due to related parties	**63,312**	4,584

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

37. Events after the balance sheet date

In March 2012, the controlling shareholder of the Company provided an interest free a shareholder's loan of RMB1.1 billion to the Company with term of 12 months.

Subsequently on 21 March and 23 March 2012, the Company repaid US$100,000,000 and US$125,000,000 respectively of a bank loan (note 22).

"Board"	the board of directors of our Company
"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
"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.