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

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

Annual Report 2012

汇源

2012 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 2012, the Group has 43 subsidiaries with 9,048 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 2012, the Group’s 100% juice and nectars continue to rank as the market leader with market shares of 54.2% and 44.1%, 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. LEUNG Man Kit
Mr. SONG Quanhou
Mr. ZHAO Chen
Ms. ZHAO Yali

Company Secretary

Ms. MA Sau Kuen Gloria

Authorized Representatives

Mr. ZHU Xinli
Ms. MA Sau Kuen Gloria

Financial Management and Audit Committee
Mr. LEUNG Man Kit *(Chairman)*
Mr. SONG Quanhou
Mr. ZHAO Chen

Remuneration and Nomination Committee

Mr. SONG Quanhou *(Chairman)*
Mr. LEUNG Man Kit
Mr. Andrew Y. YAN

Registered Office

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KYI-1112
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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KYI-1110
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

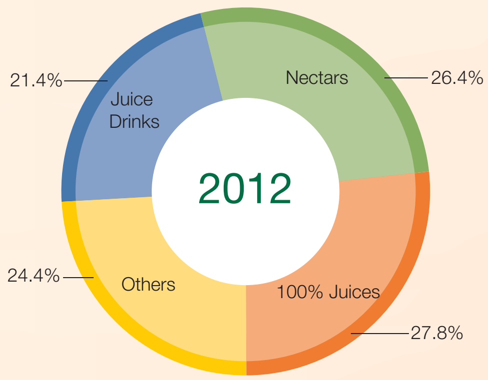
Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

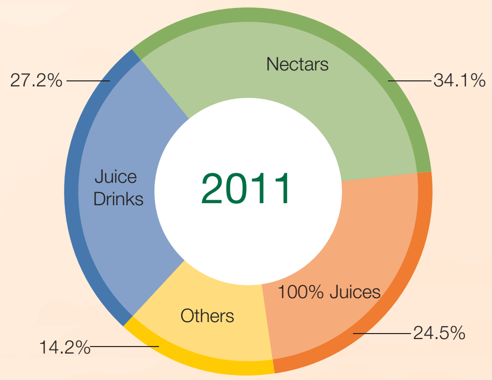
Principal Bankers

Bank of Communications
Bank of China

Financial Highlights

Sales by product





Comparison of results of 2012 and 2011

	For the year ended 31 December (RMB'000) 2012	2011
Revenue	**3,980,766**	3,825,596
Gross profit	**1,115,158**	964,311
Profit attributable to equity holders	**16,159**	310,495
Adjusted profit attributable to equity holders (Note)	**101,867**	36,901
EBITDA	**604,869**	345,866
Earnings per share (RMB cents)		
— Basic	**1.1**	21.0
— Diluted	**1.1**	2.2
Proposed final dividend per share (RMB cents)	**—**	—

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 Highlights (Continued)

Financial ratio

	For the year ended 31 December		
	2012	**2011**	**Change**
Return on equity	**0.3%**	5.9%	-5.6%
Return on assets	**0.1%**	3.1%	-3.0%
Gearing ratio (total debt/total equity) (Note 1)	**71.2%**	61.0%	+10.2%

Operating ratio (Note 2)

	For the year ended 31 December		
	2012	**2011**	**Change**
Turnover of finished goods	**22 days**	20 days	2 days
Turnover of raw materials	**184 days**	114 days	+70 days
Turnover of trade receivables	**73 days**	59 days	+14 days
Turnover of trade payables	**185 days**	115 days	+70 days

Note 1: The total debt includes total borrowings of RMB2,983.0 million as at 31 December 2012 (as at 31 December 2011: RMB2,493.6 million) and convertible bonds of RMB779.1 million as at 31 December 2012 (as at 31 December 2011: RMB725.3 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.

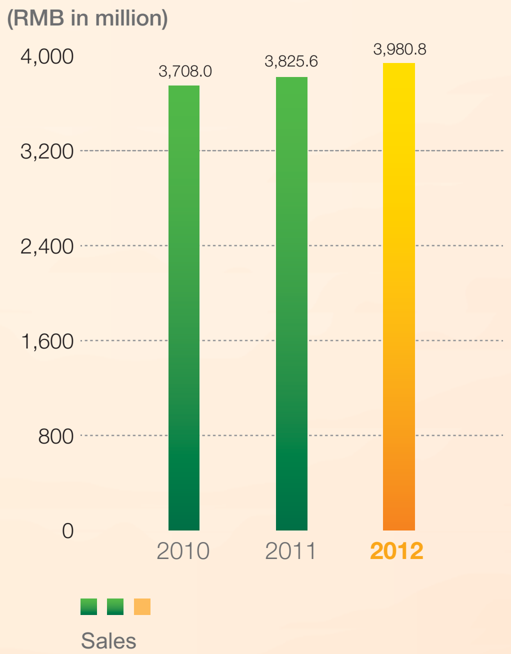
Five-year financial summary

	For the year ended 31 December (RMB million)				
	2012	**2011**	**2010**	**2009**	**2008**
Results					
Revenue	**3,980.8**	3,825.6	3,708.0	2,832.6	2,819.7
Gross profit	**1,115.2**	964.3	1,362.0	1,020.6	908.9
Profit for the year	**16.2**	310.5	198.3	233.5	88.9
Gross profit margin	**28.0%**	25.2%	36.7%	36.0%	32.2%
Net profit margin	**0.4%**	8.1%	5.3%	8.2%	3.2%
Profit attributable to equity holders of the Company	**16.2**	310.5	198.3	233.5	88.9

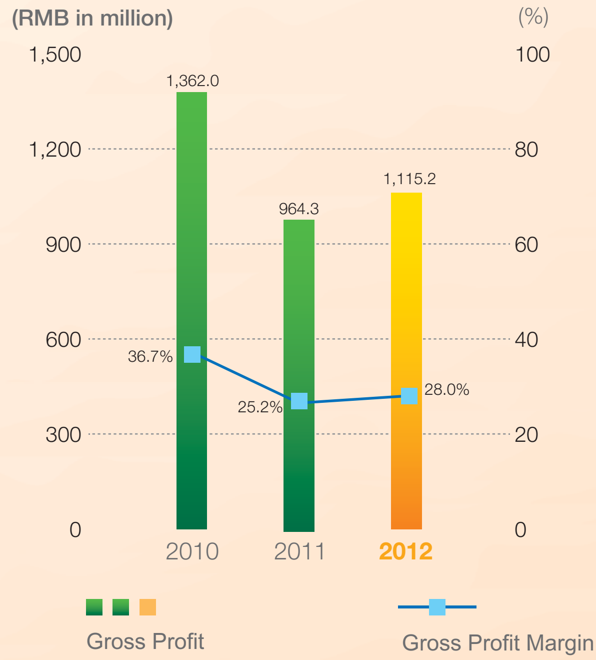
	As at 31 December (RMB million)				
	2012	**2011**	**2010**	**2009**	**2008**
Assets, liabilities and equity					
Total assets	**11,159.4**	10,046.3	9,293.7	7,072.6	7,191.3
Total liabilities	**5,873.2**	4,770.4	4,281.3	2,263.7	2,603.3
Equity attributable to equity holders of the Company	**5,286.2**	5,275.9	5,012.4	4,808.9	4,588.0
Minority interests	**—**	—	—	—	—

Financial Highlights (Continued)

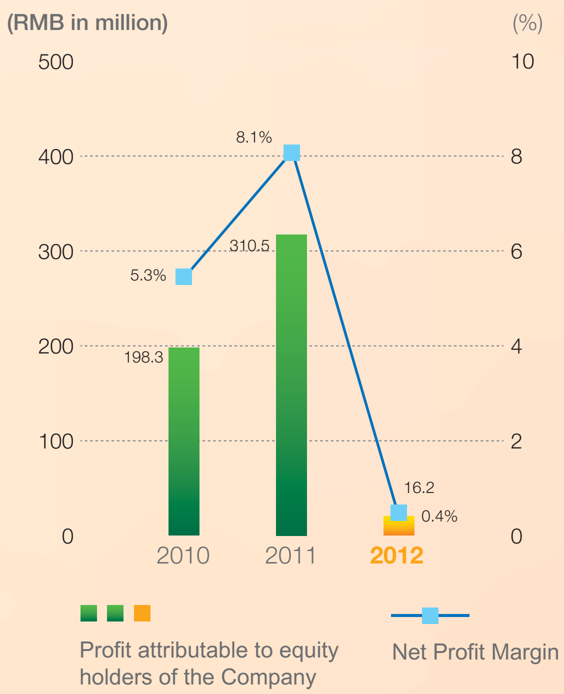
Sales



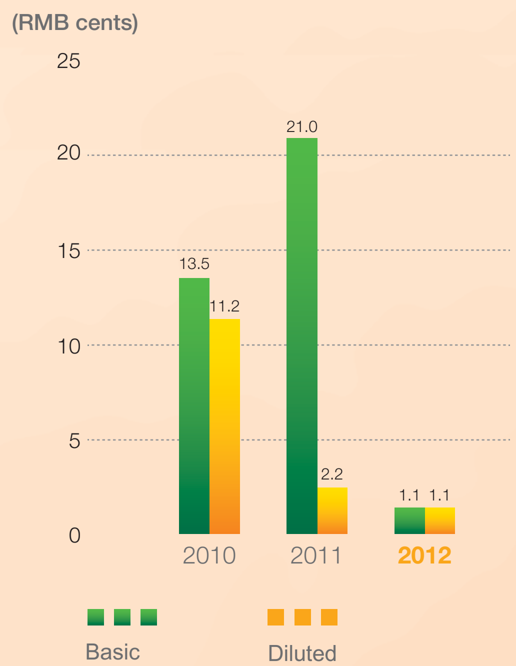
Gross Profit



Profit attributable to equity holders of the Company



Earnings per share



Chairman's Statement

ZHU Xinli
Chairman and President

Macro-economic environment

In 2012, the world economy grew at 3.3% as the global macro-environment showed strains across many fronts. In the developed world, European nations continue to struggle with the task of maintaining their currency union. The United States economy, despite early signs of a housing recovery, continues to inch forward at a sluggish pace. Growth rates in the developing world have come down. China GDP growth, which reached 9.2% in 2011, decreased to 7.8% in 2012. As growth slows, the government is working to rebalance the economy toward a more long-term sustainable model. The pressures of this transition and the slowing economic environment have made 2012 a very challenging year. Inflation in this environment has eased relative to levels seen in 2011. The Producer Price Index (PPI) dropped 1.7% while the Consumer Price Index (CPI) increased by 2.6%. Inflation for foodstuffs recorded an increase of 4.8%. The beverage industry in China has recovered from the lows experienced in 2011 and growth prospects in the overall industry remain healthy driven by positive secular trends. Driving consumption growth remains a priority for domestic policymakers with the beverage industry being a beneficiary. Competition is intense as multinational companies increase their investment in China and consolidation among industry participants takes shape. Nevertheless, the Company sees significant opportunities ahead.

Operating Results

The Company's results in 2012 reflect the challenging operating environment we faced. While we were able to maintain our leading position in the juice beverage industry, we see considerable room for growth and improvement. Revenues for the year ended 31 December 2012 reached RMB3,980.8 million, representing an increase of 4.1% year-on-year. Growth in 100% juice and OEM sales offset relative decreases in nectars and juice drinks. In 100% juices, our 200ml products have gained strong traction in the market and contributed to our overall sales growth. Gross profit in 2012 increased 2.8% as our gross profit margin increased from 25.2% in 2011 to 28.0% in 2012 on lower raw material costs. For the year ended 31 December 2012, the Group recorded net profit of 16.2 million. Adjusted profit attributable to equity holders reached 101.9 million in 2012. The Board of Directors (the "Board") did not recommend a dividend payment for the year.

Product and Market Development

Over the past 20 years, Huiyuan has grown to be the most trusted, nationally recognized brand name in the juice industry in China. Our 100% juices and nectars have retained leadership in their respective markets for the past six consecutive years. This year has been no different. According to Nielsen, the Group commanded a 54.2% share in China's 100% juice sector and a 44.1% share in the nectar sector in terms of sales volume. We remain committed to providing the highest quality product to all the Group's customers.

We offer products divided into three different segments based upon the level of juice concentration: 100% juices, nectars and juice drinks. In the 100% juice segment, individual serving size juice boxes that provide the convenience of on-the-go and out-of-home consumption at school or in the office have shown good traction. Complementary flavors such as tomato and grape have also contributed to strengthening our position in the market. In nectars, our core products continue to be well received by the market. In juice drinks, our relaunch of Juizee Pop this year has delivered encouraging results. New juice drink products have also contributed favorably to our overall results. Our OEM business also has grown behind the strength of our corporate partnerships.

While consumers' awareness of food and safety issues grows, we believe there is significant room to educate consumers about the health and wellness benefits of juice and vegetable drinks. We continue to invest in this effort. Our investment in grass-roots promotions, our in-store profile, and in sponsored television events and advertising campaigns as well as online promotions have all centered around this theme. We believe this will yield long term benefits for the Company.

Production and Distribution

This year Huiyuan has invested in improving our operating efficiency by streamlining our product portfolio and focusing our resources around key brands and key products. At the same time, we have also adopted a more concentrated manufacturing model to reduce waste in the production process. As at 31 December 2012, our total annual manufacturing capacity was approximately five million tons spread across 43 manufacturing facilities.

As at 31 December 2012, the Company's sales network consisted of 14 direct sales branches and over 4,000 full-time sales staff. We have realigned our sales network to increase product focus. We saw some returns from this investment in our channel in the second half of the year and we hope to see increased benefits in the coming years.

Major Events

2012 marked the 20th anniversary of the founding of Huiyuan Juice. While we are proud to have reached this historic milestone, we humbly recognize that this is an achievement that belongs to all of our stakeholders. The significant and collective contributions of our employees and their families, our shareholders, partners, and our customers are the driving force behind our success. We thank them for their immeasurable support over the years.

In 2012, we won numerous awards including "Leading Company in China Beverage Industry", "First Choice of Juice Brand for China Consumers", "China's Top 100 Green Companies of 2012", "2012 Annual Influential Group in Beverage Industry", "Platinum Award in Reader's Digest Trusted Brand", "China Food Health Seven Star Award", "Official Strategic Partner of China Lunar Exploration Program", "Hua Pu China Brand Award 2012". Additionally, as the only authorized supplier of fruit juice beverage products for the China Lunar Exploration Program and Deep Space Exploration Program, the Company celebrated the successful space mission of "Shenzhou 9" and the safe return of its astronauts.

We are proud of the recognition we have received from the market for our products and our brand but in the end, what we value most is the trust of our customers.

In 2012 we refinanced USD193 million of short term financing through two separate transactions. As a result, we were able to extend our debt maturity and improve our capital structure. We will continue to look for similar opportunities to improve the Company's overall financial structure as we grow our business.

Future Prospects

During the review period, we worked to reposition our business to better capture the future market opportunity. We invested in consumer education, we streamlined our product offers and improved our manufacturing efficiency, and we realigned our sales network to increase product focus. In the end of 2012, we furthermore won the exclusive advertising rights for the popular TV show "Avenue of the Stars." Our association with this popular show will significantly enhance our market exposure and drive increasing demand for our products. We believe that the groundwork we have laid out this past year through these different initiatives will bear fruit in 2013.

It remains our mission to be the leading highest quality healthy fruit and juice beverage company in China. 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. China's new leadership has indicated a continuation of macroeconomic policy, pushing forward with economic reforms and importantly, lower overall growth rates in favor of rebalancing growth. Economic growth in 2013 is expect to decrease only slightly to 7.5% from 2012 levels. We believe the government's favorable agricultural policies and efforts to stimulate domestic demand will continue and drive growth in the overall juice beverage market.

Looking ahead to 2013, we will work to maintain our leadership position in 100% juice and nectars. We will increase investment in marketing activities to educate the consumer and promote our products. We will expand our sales and distribution network to penetrate deeper into our target markets. While staying true to our core products, we will introduce new and differentiated products into the market as we push strategically into new categories. We will explore future opportunities to leverage our brand and other assets, and we will work tirelessly to create value for all our stakeholders. As the clear leader in China's 100% juice and nectar markets, we are uniquely well positioned to take advantage of the favorable growth trends in the market.

On behalf of the Board of Huiyuan Juice, I would like to express my gratitude to our customers, our shareholders, management, employees, and all our partners. Twenty years is a significant accomplishment and cause for celebration. This year however, the difficult market environment and the challenges we faced reminded us our work is far from done. We remain committed to growing the business to an even greater scale in the next twenty years ahead.

Zhu Xinli
Chairman
Hong Kong, 27 March 2013

Management Discussion and Analysis

MARKET REVIEW

Review of the China Juice Beverage Market

China recorded GDP growth of 7.8% in 2012, a decrease from 9.2% compared to the previous year. While GDP growth declined, inflation pressures have eased. In 2012 China recorded an decrease in the Producer Price Index (PPI) and an increase in the Consumer Price Index (CPI) of 1.7% and 2.6%, respectively. Inflation for foodstuffs recorded an increase of 4.8%. Towards the end of 2012 China's economy also showed signs of improvement as the new government loosed policy measures to stimulate growth.

Chinese consumers remain focused on food safety related issues. The short term impact on the overall juice beverage market has been negative impacting the growth of the overall market. However, we believe consumer focus on food safety and health and nutrition will have long term benefits for the industry, particularly in the mid-to-high end juice segments. The secular trends of increase in urban population and growth in disposal income also help to drive consumer demand for natural and healthy beverage products including fruit and vegetable juices as a whole.

Competition in the market remains high with large well funded domestic and international players all vying for market share. Our overall market position, particularly in the 100% juice and nectar markets remains strong, backed by our long history in China and the strength of our brand.

Sales of fruit and vegetable juices in China increased by 9.8% in sales volume from 3.9 billion liters in 2011 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 2012.

For the year of 2012	Market Share By Volume	Market Share By Value (%)
100% Juice		
Huiyuan Juice	**54.2**	**47.5**
Second ranked competitor	23.1	28.8
Third ranked competitor	7.5	7.1
Fourth ranked competitor	3.4	3.4
Fifth ranked competitor	1.8	2.2
Six ranked competitor	1.4	1.1
26%–99% Concentration(Note 1)		
Huiyuan Juice(Note 2)	**44.1**	**38.6**
Second ranked competitor	30.2	25.0
Third ranked competitor	4.8	6.9
Fourth ranked competitor	3.0	3.3
Fifth ranked competitor	3.0	3.0
25% & Below Concentration		
First ranked competitor	32.7	34.5
Second ranked competitor	22.0	21.3
Third ranked competitor	19.3	16.8
Fourth ranked competitor	7.6	7.3
Fifth ranked competitor	5.4	6.3
Huiyuan Juice(Note 3)	**2.9**	**2.3**

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", "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."

Management Discussion and Analysis (Continued)

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
	2012	**2011**	**(%)**
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**3,980,766**	3,825,596	4.1%
Gross profit	**1,115,158**	964,311	15.6%
Profit attributable to equity holders	**16,159**	310,495	-94.8%
Adjusted profit attributable to equity holders	**101,867**	36,901	176.1%
EBITDA	**604,869**	345,866	74.9%
Earnings per share (RMB cents)(Note 1)			
—basic	**1.1**	21.0	-94.8%
—diluted	**1.1**	2.2	-50.0%
Selected financial ratios			
Gross profit margin (%)	**28.0%**	25.2%	
Margin of profit attributable to equity holders (%)	**0.4%**	8.1%	
EBITDA margin (%)	**15.2%**	9.0%	
Return on equity holders' equity (%)	**0.3%**	5.9%	
Gearing ratio (total debt to total equity)(Note 2)	**71.2%**	61.0%	

Notes:

(1) Please refer to Note 31 of the Consolidated Financial Statements of comprehensive income for the calculation of earnings per share.

(2) The gearing ratio is based on total debt divided by total equity as at 31 December 2012.

Sales

Sales of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products increased 4.1% from RMB3,825.6 million in 2011 to RMB3,980.8 million in 2012.

Sales of 100% fruit juices increased by 18.0% from RMB938.8 million in 2011 to RMB1,108.0 million in 2012 due to a 21.7% increase in sales volume and a 3.0% decrease in average selling price. Sales of 100% fruit juices became the largest component of the Groups revenues in 2012 accounting for 27.8% of the Group's total sales.

Sales of nectars accounted for 26.4% of total sales in 2012. Nectars, which comprised the largest component of revenues in 2011, was negatively impacted by the difficult market environment as sales volume decreased 22.0% compared to last year. Average selling price increased 3.2% as sales of nectars decreased from RMB1,304.3 million in 2011 to RMB1,049.9 million in 2012.

Sales of juice drinks, which accounted for 21.4% of the Group's total sales, decreased by 18.2% in 2012 from RMB1,041.0 million in 2011 to RMB851.9 million in 2012, primarily due to a 26.7% decrease in volume which was partially offset by an 11.6% increase in average selling price.

The sales of other beverage products increased significantly, growing 79.3% from RMB541.5 million in 2011 to RMB970.9 million primarily attributed to the increase in OEM sales.

Cost of Sales

Cost of sales increased by 0.2% from RMB2,861.3 million in 2011 to RMB2,865.6 million in 2012. Total sales volume increased by 2.1% from 2011 to 2012. While the cost of fruit syrup and fruit juice concentrate increased slightly relative to 2011 primarily due to the increase in prices for imported raw materials, prices for other major raw materials decreased relative to the previous year.

Gross Profit

Gross profit increased by 15.6% from RMB964.3 million in 2011 to RMB1,115.2 million in 2012. Gross profit margin increased 2.8 percentage points from 25.2% in 2011 to 28.0% in 2012. The increase in gross profit was mainly attributable to both the increase in sales volume particularly for 100% juice, as well as the favorable change in product mix and decrease in material price.

Management Discussion and Analysis (Continued)

Other Income

Other income increased 9.3% from RMB256.5 million in 2011 to RMB280.4 million in 2012. Other income consists primarily of government subsidy income and includes a gain on disposal of interest in a subsidiary.

Other Gain

The Group has begun looking at surplus land and monetizing its value for its shareholders. The first example is Chengdu Huifu Real Estate Co. Ltd. ("Huifu") where the Company established a 50/50 joint venture for the development of land at its Chengdu production plant in June 2012 and entered into an agreement in December 2012 for transferring its control, management, and voting rights in Huifu to the purchaser, and eventually sold its remaining stake. Proceeds of RMB90 million were received for the first 50% and RMB292.5 million will be received over the next 5 years in respect of the sale of the second 50%. The book value of this land and the production plant that stands on it is RMB109.8 million so in 2012 and over the next 5 years the company will receive cash of RMB182.7 million more than the book value of this asset.

Selling and Marketing Expenses

Selling and marketing expenses increased by 5.0% from RMB933.9 million in 2011 to RMB980.6 million in 2012, mainly due to a increase in advertising expenses.

Administrative Expenses

Administrative expenses increased by 1.3% from RMB274.3 million in 2011 to RMB277.8 million in 2012. The administrative expenses as a percentage of revenue slightly decreased from 7.2% in 2011 to 7.0% in 2012.

Finance Income/Cost

The Group recorded net finance costs of RMB205.1 million in 2012 as compared to a finance income of RMB343.4 million in 2011, primarily as a result of a RMB10.7 million gain in changes in fair value of the Convertible Bonds in 2012 as compared to a RMB340.6 million gain in changes in fair value of the Convertible Bonds in 2011 and gain on foreign exchange of RMB2.1 million in 2012 as compared to a gain on foreign exchange of RMB106.8 million in 2011.

Income Tax Expenses

In 2012 the Company recorded an income tax credit of RMB14.6 million compared to an income tax expense of RMB45.4 million for the comparable period in 2011 as a result of losses that occurred at certain of our subsidiaries and recognition of deferred tax assets.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Company recorded RMB206.6 million in operating profit in 2012 as compared with RMB12.5 million in operating profit in 2011. The adjusted profit attributable to the equity holders of the Company for 2012 was RMB101.9 million compared to an adjusted profit attributable to the equity holders of the Company of RMB36.9 million for 2011. The profit attributable to equity holders for 2012 was RMB16.2 million compared to RMB310.5 million for 2011.

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 2012, the Group had an aggregate of RMB2,983.0 million in outstanding bank loans and RMB779.1 million in outstanding Convertible Bonds as compared to RMB2,490.6 million of outstanding bank loans, RMB3.0 million in other financial institution loans and RMB725.3 million of outstanding Convertible Bonds in 2011. The gearing ratio (total debt (including the Convertible Bonds)/total equity) of the Group was 71.2% as at 31 December 2012, representing an increase of 10.2 percentage points as compared to 61.0% as at 31 December 2011.

The Group's borrowings include bank loans and the Convertible Bonds. As at 31 December 2012, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year	Total
		(RMB in million)	
Bank loans	1,807.6	1,175.4	2,983.0
Convertible Bonds	—	779.1	779.1
Total	1,807.6	1,954.5	3,762.1
Analysed as:			
Secured	660.7	0	660.7
Unsecured	1,146.9	1,954.5	3,101.4

Operating activities

Net cash generated from operating activities was RMB141.9 million in 2012. The Group's net profit before tax for the same period was RMB1.5 million. The difference of RMB140.4 million was primarily due to an RMB548.4 million increase in accounts payable and RMB362.7 million depreciation of fixed assets that was partially offset by a RMB485.4 million increase in inventory and a RMB195.4 million increase in accounts receivables.

Investing activities

Net cash used in investing activities in 2012 was RMB366.6 million as compared to net cash used in investing activities of RMB728.9 million in 2011. Purchase of property, plant and equipment in 2012 was RMB374.4 million.

Financing activities

Net cash generated from financing activities in 2012 was RMB467.8 million, as compared to net cash generated from financing activities of RMB558.8 million in 2011.

Management Discussion and Analysis (Continued)

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 2012 compared to the previous year. During the year ended 31 December 2012, the Group spent RMB374.4 million on the purchase of property, plant and equipment and RMB91.0 million on the acquisition of land use rights.

As at 31 December 2012, the Group had capital commitments of RMB128.1 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2013 will be continuously reduced compared with 2012. The Group plans to finance its 2013 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 increased from 114 and 20 days, respectively, in 2011 to 184 and 22 days, respectively, in 2012. The increase in raw materials turnover days is primarily due to the accumulation of inventory at the end of 2012 in anticipation for a new product rollout in the first half of 2013.

Turnover days for trade receivables in 2012 increased to 73 days from 59 days in 2011. The increase was primarily a result of the increase in OEM sales for which we extended credit terms.

Contingent Liabilities

As at 31 December 2012, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 31 December 2012, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2012, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 31 December 2012, 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"). 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 2012 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2012, 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 2012 would have been decreased/increased by RMB15.9 million (2011: RMB15.8 million), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

Credit risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected customers, including distributors with long-term relationship with the Group and supermarket operators having entered into contracts with the Group with credit terms. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and previous record. The utilization of credit limits is regularly monitored. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the five largest customers was RMB412.1 million as at 31 December 2012 (2011: RMB202.3 million), representing 52% of the total balance of trade receivables as at 31 December 2012 (2011: 35%).

EMPLOYEES AND WELFARE CONTRIBUTION

As at 31 December 2012, the Group had 9,048 employees. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

As at 31 December 2012, the Group's employees' deployment by function was as follows:

Functions	
Production	3,354
Sales and marketing	4,090
Management and other administration	731
Research and development (including quality assurance)	397
Finance and accounting	401
Purchase and supply	75
Total headcount	9,048

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

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

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

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

Report of the Directors

The directors of the Company (the "Director(s)") present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

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 84 to 85 of this annual report.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2012 are set out on page 54 of this annual report. The Board has resolved not to recommend payment of final dividend for the year ended 31 December 2012.

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 81 of this annual report.

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 of this annual report.

Share capital

Details of the movement in the Company's share capital during the year ended 31 December 2012 are set out in note 18 to the consolidated financial statements on page 92 of this annual report.

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 our Company for the year ended 31 December 2012 are set out in note 19 to the consolidated financial statements on page 93 of this annual report.

Distributable reserves

As at 31 December 2012, the Company's distributable reserves were RMB573 million.

Directors

The Directors who held office during the year ended 31 December 2012 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 Director:

Mr. Andrew Y. YAN

Independent non-executive Directors:

Mr. LEUNG Man Kit (appointed on 29 June 2012)
Mr. QI Daqing (resigned on 29 June 2012)
Mr. SONG Quanhou
Mr. WANG Bing (resigned on 29 June 2012)
Mr. ZHAO Chen (appointed on 29 June 2012)
Ms. ZHAO Yali

In accordance with the Company's articles of association, Mr. Jiang Xu, Mr. Andrew Y. Yan and Mr. Song Quanhou will retire from office as Director by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, offer themselves for re-election.

Independence of the independent non-executive Directors

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

Biographical details of the Directors and the senior management

Biographical details of the Directors and the senior management of the Group as at the date of this report are set out in the section headed "Directors and Senior Management" on pages 43 to 48 of this annual report.

Directors' service contracts

None of the Directors (including those Directors proposed for re-election at the forthcoming AGM) has an unexpired 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 2012.

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

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (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%

Note:

(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.

To the best knowledge of the Directors, save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Directors' rights to acquire shares

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in this report, at no time during the year ended 31 December 2012 or the period following 31 December 2012 up to the date of this report, was the Company or any of its subsidiaries or 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.

All options which have been granted by the Company under the Pre-IPO Share Option Scheme lapsed during the year of 2011 and no option can be granted under the Pre-IPO Share Option Scheme.

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/her option.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2012 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 2012	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 2012
Qi Daqing	13 July 2010	13 July 2020[1]	5.426	150,000	150,000	–	–
An aggregate of 515 employees	25 February 2009	25 February 2018	6.39	28,810,500	15,040,708	–	13,769,792
				28,960,500	15,190,708	–	13,769,792

Note:

(1) Mr. Qi Daqing has resigned as a director of the Company with effect from 29 June 2012, therefore, all the outstanding options granted to him and not already exercised lapsed on the date of resignation

As at the date of this report, no further options were granted under the Share Option Scheme and none of the share options granted under the Share Option Scheme had been exercised.

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

As at 31 December 2012, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions

Name	Number of shares	Percentage of the Company's share capital
Mr. Zhu Xinli	619,136,588[a]	41.89%
	110,161,215[c]	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%
SAIP 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%

Note:

(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 Xinli and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively.

(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.. 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.

(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, as at 31 December 2012, 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.

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Employment and emolument policies

The Group had 9,048 employees as at 31 December 2012, as compared to 10,397 employees as at 31 December 2011. 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.

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 102 to 104 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentives for Directors and eligible employees. Details of the schemes are set out under the paragraph "Share Option Schemes" of this report and in note 20 to the financial statements on pages 93 to 95 of this annual report.

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 2012, 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 20% of the total purchases for the year.

Banking facilities and other borrowings

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Hong Kong Listing Rules as at 31 December 2012.

On 11 June 2012, the Company entered into an agreement (the “First Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US$100,000,000, with the final maturity date on 15 June 2015.

On 29 August 2012, the Company entered into another agreement (the “Second Facility Agreement, together with the “First Facility Agreement”, the “Bank Facility Agreements”), with another bank relating to a three-year term loan facility in an aggregate principal amount of US$93,000,000.

Pursuant to the terms of each of the Bank Facility Agreements, in case of occurrence of an event that Mr. Zhu Xinli (i) ceases to be, directly or indirectly, the single largest shareholder of the Company; or (ii) ceases to own, directly or indirectly, at least 30% of each class of the entire issued share capital of the Company, the respective bank may by notice to the Company cancel the relevant loan facility and declare all outstanding loans, together with accrued interest, and all other amounts accrued under the relevant agreement immediately due and payable, whereupon the loan facility will be cancelled and all such outstanding amounts will become immediately due and payable.

As at 31 December 2012, the outstanding amount owed by the Company under the First Facility Agreements and the Second Facility Agreement was US$100,000,000 and US$93,000,000, respectively.

Further details of the bank facilities and borrowings of the Company as at 31 December 2012 are set out in note 22 to the consolidated financial statements on pages 97 to 98 of this annual report.

Corporate governance

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

The Company has adopted the code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the “Old Code”) since its listing on the Hong Kong Stock Exchange in 2007, and has, since 1 April 2012, adopted the revised code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the “New Code”, together with the “Old Code”, the “Governance Code”) as currently in force at the date of this report as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve a high standard of corporate practice practices.

Save as disclosed in the Corporate Governance Report, the Company has complied with the Governance Code in the year ended 31 December 2012. Information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 31 to 42 of this annual report.

Report of the Directors (Continued)

Model Code for Securities Transactions

The Company has adopted the Model Code as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, they have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2012. Details of our Company's compliance with the Model Code are set out in the Corporate Governance Report on pages 31 to 42 of this annual report.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at 31 December 2012, 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 and recyclable containers sales agreement (the "Continuing 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 Continuing 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 Continuing Connected Transactions 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 2012 and the respective annual caps under the Continuing Connected Transactions Agreement are set out below:

	Aggregate Amount (RMB'000)	Annual Cap (RMB'000)
Purchase of raw materials	1,249,495	2,100,000
Sale of used and recyclable containers	44,619	68,000

Annual review of continuing connected transaction

The independent non-executive Directors 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 of the Company as a whole.

PricewaterhouseCoopers, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with the 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 of 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 party transactions

During the year ended 31 December 2012, the Group has entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of such related party transactions are set out in note 36 to the consolidated financial statements on pages 110 to 112 of this annual report. These related party transactions included non-exempt continuing connected transactions between the Group and companies controlled by Mr. Zhu Xinli, the Chairman and controlling shareholder of the Company, as disclosed in the paragraph headed "Connected Transaction" in this report.

Report of the Directors (Continued)

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 2012 and are satisfied that the Non-competition Deed has been fully complied.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2012 has been reviewed by the Financial Management and Audit Committee. Information of the work of the Financial Management and Audit Committee and its composition are set out in the Corporate Governance Report on pages 37 to 38 of this annual report.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers.

By order of the Board
ZHU Xinli
Chairman

Beijing, 27 March 2013

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practice for enhancing accountability and transparency of the Company to its investors and shareholders.

The Company has adopted the code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the “Old Code”) since its listing on the Hong Kong Stock Exchange in 2007. On 1 April 2012, amendments to the Old Code (the “New Code”, together with the “Old Code”, the “Governance Code”) came into force. The Company has then adopted the Governance Code as currently in force at the date of this report as its own code to govern its corporate governance practices.

During the year ended 31 December 2012, the Company has complied with the code provisions set out in the Governance Code except the deviations as set out below in this report.

Directors’ securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as contained in Appendix 10 of the Hong Kong Listing Rules as the standards for the Directors’ dealings in the securities of the Company. Having made specific enquiry with all the directors of the Company (“Director(s)”), the Company confirms that the Directors have complied with the required standards set out in the Model Code during the year ended 31 December 2012.

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 investment proposals and assumes the responsibilities of corporate governance of the Company. The Board gave their input and considered the priorities and initiatives, aiming at developing a sustainable plan for the Company to generate and preserve its long-term corporate values and to achieve its business strategies and objectives.

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 board committees, which are the Remuneration and Nomination Committee, the Financial Management and Audit Committee, and the Strategy and Development Committee (collectively, the “Board Committees”).

The Board has also regularly reviewed the contribution of each Director to performing his/her responsibilities to the Company and whether the Director is spending sufficient time performing them. The Directors are also required to inform the Board of any change to their significant commitments on a timely basis.

The Company has arranged for appropriate insurance for all Directors in respect of legal actions against the Directors arising out of corporate activities.

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 and President)*
Mr. JIANG Xu
Mr. LEE Wen-chieh

Non-executive Director:
Mr. Andrew Y. YAN

Independent non-executive Directors:
Mr. LEUNG Man Kit
Mr. SONG Quanhou
Mr. ZHAO Chen
Ms. ZHAO Yali

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

An updated list of the Directors is maintained on our Company's website and the Stock Exchange's website. The details of the Directors' biographical information are contained in the section headed "Directors and Senior Management" of this annual report.

Independent non-executive Directors

More than one-third of the members of the Board are independent non-executive directors. Mr. Leung Man Kit, an independent non-executive Director, has appropriate accounting/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.

Appointment, re-election and removal of Directors

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 ("AGM") of the Company once every three years in accordance with the articles of association. Independent non-executive Directors serving up to the maximum term of 9 years is only eligible for reappointment by separate shareholders' resolution. None of the independent non-executive Directors has served more than 9 years.

During the year ended 31 December 2012, Mr. Wang Bing retired as an independent non-executive Director at the annual general meeting held on 29 June 2012 (the "2012 AGM") and did not offer himself for re-election due upon the completion of his second three-year term as director of the Company. Mr. Wang, following his retirement, ceased to be a member of the Financial Management and Audit Committee. Another independent non-executive Director, Mr. Qi Daqing, resigned from his office as a Director at the close of the 2012 AGM. Mr. Qi, following his resignation, ceased to be a member of the Remuneration and Nomination Committee and the chairman and a member of the Financial Management and Audit Committee.

Mr. Leung Man Kit and Mr. Zhao Chen were appointed as independent non-executive Directors at the 2012 AGM with immediate effect on 29 June 2012. On the same day, Mr. Leung Man Kit was also appointed as a member and the chairman of the Financial Management and Audit Committee and a member of the Remuneration and Nomination Committee to fill the vacancy occasioned by the resignation of Mr. Qi Daqing, whilst Mr. Zhao Chen was appointed as a member of the Financial Management and Audit Committee to fill the vacancy occasioned by the departure of Mr. Wang Bing.

In accordance with the Company's articles of association, Mr. Jiang Xu, Mr. Andrew Y. Yan and Mr. Song Quanhou will retire from office as Director by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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/her 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. The final versions 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.

Attendance

Code Provision A.1.1 of the 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 year ended 31 December 2012, the Board convened a total of 4 Board meetings, 2 Remuneration and Nomination Committee meetings, 4 Financial Management and Audit Committee meetings, and 1 Strategy and Development Committee meeting, based on the need of the operation and business development of the Company. Besides, the Directors also attended the 2012 AGM, which is the only general meeting held in 2012, to understand the views of the shareholders.

Details of attendance are as follows:

Name[1]	Board meetings	Board Committee meetings: Remuneration and Nomination Committee	Board Committee meetings: Financial Management and Audit Committee	Board Committee meetings: Strategy and Development Committee	2012 AGM
	(Times of attendance in person/Times of meetings)[1]				
Executive Directors:					
ZHU Xinli *(Chairman of the Board)*	4/4	N/A	N/A	1/1	1/1
JIANG Xu	4/4	N/A	N/A	N/A	1/1
LEE Wen-chieh	4/4	N/A	N/A	N/A	1/1
Non-executive Director:					
Andrew Y. YAN	4/4	2/2	N/A	1/1	1/1
Independent non-executive Director:					
LEUNG Man Kit[2]	1/4	0/2	2/4	N/A	0/1
QI Daqing[3]	3/4	2/2	2/4	N/A	1/1
SONG Quanhou[4]	3/4	1/2	3/4	N/A	1/1
WANG Bing[5]	2/4	1/2	2/4	N/A	1/1
ZHAO Chen[6]	1/4	N/A	1/4	N/A	0/1
ZHAO Yali	4/4	N/A	N/A	0/1	1/1

Note:

(1) Directors who did not attend the meeting(s) in person have his/her proxy to attend and vote on his/her behalf at the meeting(s). Subject to the Company's articles of association and the applicable laws of Cayman Islands, the attendance by a director at a Board meeting by electronic means is counted as physical attendance at the meeting.

(2) Mr. Leung Man Kit was appointed as an independent non-executive Director, a member and the chairman of the Financial Management and Audit Committee, and a member of the Remuneration and Nomination Committee at the 2012 AGM with immediate effect on 29 June 2012.

(3) Mr. Zhao Chen was appointed as an independent non-executive Director and a member of the Financial Management and Audit Committee at the 2012 AGM with immediate effect on 29 June 2012.

(4) Mr. Qi Daqing resigned from his office as an independent non-executive Director at the close of the 2012 AGM held on 29 June 2012 and, following his resignation, ceased to be a member of the Remuneration and Nomination Committee and the chairman and a member of the Financial Management and Audit Committee with effect from 29 June 2012.

(5) Mr. Song Quanhou was appointed as a member and the chairman of the Remuneration and Nomination Committee on 28 March 2012.

(6) Mr. Wang Bing ceased to be a member of the Remuneration and Nomination Committee on 28 March 2012. Mr. Wang retired as an independent non-executive Director at the 2012 AGM held on 29 June 2012 and did not offer himself for re-election and, following his retirement, ceased to be a member of the Financial Management and Audit Committee with effect from 29 June 2012.

The Chairman and the Chief Executive Officer

The Code Provision A.2.1 of the Governance Code provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Currently, the positions of the chairman of the Board and the president (i.e., the chief executive) of the Company are held by Mr. Zhu Xinli. Although this deviates from the practice in Code Provision A.2.1 of the Governance Code, 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 Group.

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. The Remuneration and Nomination Committee also regularly reviews the structure and composition of the Board and will make appropriate recommendations to the Board regarding any proposed changes.

Mr. Zhu, as the chairman of the Board, is responsible for ensuring that the Directors receive adequate information in a timely manner, good corporate governance practices and procedures are established, all Directors make full and active contribution to the Board's affairs, and the Board acts in the interests of the Company and its shareholders.

Under the leadership of Mr. Zhu, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Appropriate steps are taken to provide effective communication between the shareholders and the Board. A culture of openness and constructive relations among Directors are promoted within the Board.

In the year ended 31 December 2012, the chairman of the Board has met once with the independent non-executive Directors (without the presence of the executive Directors) to discuss, and obtain independent views of, the Board's affairs.

Board Committees

The Board is supported by three Board Committees, namely the Remuneration and Nomination Committee, the Financial Management and Audit Committee, and the Strategy and Development Committee. The Board Committees are formed with specific written terms of reference which deal clearly with their authority and duties. The Company has provided the Board Committees with sufficient resources and the Board Committees may seek independent professional advice as and when required at the Company's expense.

Remuneration and Nomination Committee

During the year ended 31 December 2012, the following changes were made to the Remuneration and Nomination Committee:

28 March 2012	In order for the Company to be in compliance with the New Code, Song Quanhou, an independent non-executive Director, was appointed to act as a member and the chairman. In light of such appointment, Mr. Andrew Y. Yan, a non-executive Director, stepped down from the position of chairman and Mr. Wang Bing ceased to be a member of the committee.
27 June 2012	Mr. Leung Man Kit was appointed as a member of the committee to fill the vacancy occasioned by departure of Mr. Qi Daqing.

Currently, the Remuneration and Nomination Committee consists of two independent non-executive Directors, namely, Mr. Song Quanhou (the chairman) and Mr. Leung Man Kit, and one non-executive Director, Mr. Andrew Y. Yan.

The Remuneration and Nomination Committee is responsible for nomination-related duties, including, without limitation, reviewing the structure, size and composition of the Board, making recommendations of suitable candidates to the Board for directorships, assessing independence of the independent non-executive Directors, and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the chief executive).

The Nomination and Remuneration Committee is also responsible for remuneration-related duties, including, without limitation, making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management as well as on the specific remuneration packages of the individual executive Directors and senior management, establishing a formal and transparent procedure for development remuneration policy, and ensuring no Director or his/her associate is involved in deciding his/her own remuneration.

At the two meetings held during the year ended 31 December 2012, the Remuneration and Nomination Committee has reviewed the Directors' fees in terms of the corporate and individual performance, the employment terms of the senior management team within the Group, the employee share option to be granted and assessed the nominations of the new directors.

The term of reference of the Remuneration and Nomination Committee is available on the Company's website and the Hong Kong Stock Exchange's website.

Financial Management and Audit Committee

The Financial Management and Audit Committee currently consists of three independent non-executive directors, namely Mr. Leung Man Kit, Mr. Song Quanhou and Mr. Zhao Chen. Mr. Leung, Man Kit who has the relevant accounting/financial management expertise, is the chairman of the Financial Management and Audit Committee. Both Mr. Leung Man Kit and Mr. Zhao Chen were appointed to the committee on 29 June 2012 to fill the vacancies occasioned by departure of Mr. Qi Daqing and Mr. Wang Bing.

The primary functions of the Financial Management and Audit Committee are to review and supervise the financial reporting, financial control, internal control and risk management systems of the Company, nominate and monitor external auditor, and provide advice and recommendations relating to financial and accounting matters to the Board.

During the year ended 31 December 2012, the Financial Management and Audit Committee has convened four meetings and completed the following major work:

(a) met with the Company's external auditor to discuss the audit procedures and accounting issues;

(b) reviewed and discussed the audited annual results for the year ended 31 December 2011 and the unaudited interim results for the six months ended 30 June 2012 with the senior management of the Company;

(c) reviewed the accounting policies adopted by the Group and other issues related to the Company's accounting practice;

(d) supervised the internal audit of the Group;

(e) reviewed the internal control and financial reporting matters of the Group; and

(f) advised on material events or draw the attention of management on related risks.

In addition, the Financial Management and Audit Committee has reviewed arrangements by which employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and it ensures that proper arrangements are in place for fair and independent investigation of such concerns and appropriate follow-up actions.

The term of reference of the Financial Management and Audit Committee is available on the Company's website and the Stock Exchange's website.

Strategy and Development Committee

The Strategy and Development Committee consists of an executive director, an independent nonexecutive director and a non-executive director, namely Mr. Zhu Xinli, Mr. Andrew Y. Yan, and Ms. Zhao Yali, respectively. 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 future development plans of the Company and make recommendations to the Board regarding any proposed changes;

(b) review market development trends and formulate operating strategies of the Company and make recommendations to the Board regarding any proposed changes; and

(c) review significant transactions including material projects, business expansion, capital expenditure, asset restructuring and operation and make recommendations to the Board regarding any proposed changes.

During the one meeting held during the year ended 31 December 2012, the Strategy and Development Committee has reviewed the strategic and development plan of the Group.

Corporate governance functions

The corporate governance functions have been reserved to the Board. During the year ended 31 December 2012, the Board has performed the following work:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the training and professional development of Directors and senior management;

(c) reviewed and monitored the Company's compliance with the Governance Code and other legal and regulatory requirements; and

(d) reviewed and monitored the code of conduct and compliance manual applicable to the Directors and employees of the Company.

Training for Directors

The Company has regularly provided the Directors with information of relevant training courses. New Directors, upon appointment, will also be provided with a comprehensive, formal and tailored introduction. The Directors have provided the Company with a record of their training received in 2012. A summary of the Directors' participation in continuous professional training for the year ended 31 December 2012 is as follows:

	Attending briefings/ seminars/ conferences	Reading materials/ regulatory updates/ management monthly updates	Paying site visit
Executive directors			
ZHU Xinli	✓	✓	✓
JIANG Xu	✓	✓	✓
LI Wen-chieh	✓	✓	✓
Non-executive directors			
Andrew Y. YAN	✓	✓	✓
Independent directors			
LEUNG Man Kit	✓	✓	✓
SONG Quanhou	✓	✓	
ZHAO Chen	✓	✓	✓
ZHAO Yali	✓	✓	

Supply of and access to information

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions. The chairmen of the Board Committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2012 AGM and will be invited to attend our forthcoming AGM to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

The constitutional documents of the Company are available at the Company's website and the Stock Exchange's website. During the year ended 31 December 2012, there is no significant change to the constitutional documents of the Company.

Remuneration of Senior Management

The remuneration policy of the senior management has been recommended, reviewed and approved by the Remuneration and Nomination Committee of the Company. The remuneration of the senior management whose names appear in the section headed "Directors and Senior Management" in this annual report for the year ended 31 December 2012 has been disclosed in note 27 to the consolidated financial statements on page 105 of this annual report.

Accountability and audit

Auditor's remuneration

The remuneration payable to the Company's auditor, PricewaterhouseCoopers, during the year ended 31 December 2012 in relation to non-audit assurance services and audit services are RMB2,580,000 and RMB4,639,000, respectively.

Directors' responsibilities for financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, 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 independent external auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended 31 December 2012 is set out on pages 49 to 112 of this annual report.

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 discussed and evaluated by the Board every year.

During the year ended 31 December 2012, the internal audit department has conducted an examination on various material control aspects 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. Matters including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and reporting functions were reviewed.

Management Function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board.

The senior management of the Company has provided the Board with sufficient explanation and information to enable the Board to make an informed assessment of financial and other information put before it for approval. They have also provided monthly updates, including the management accounts and management updates, which gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to the Directors to enable them to discharge their duties.

Company Secretary

Ms. Ma Sau Kuen Gloria 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 possesses the professional qualifications that the Stock Exchange has considered acceptable and has taken a total of 15 hours of professional training during the year ended 31 December 2012.

Communications with shareholders and investor relations

The Board values the importance of effective communications with the shareholders and the Company is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies.

The Company has established a shareholder communication policy to ensure effective communication with its shareholders. Besides, shareholders of the Company can send their written enquiries to the Board at Huiyuan Road, Beixiaoying Town, Shunyi District, Beijing, PRC (Attention: the Board of Directors).

Pursuant to the articles of association of the Company, two or more shareholders of the Company, holding not less than one-tenth of the paid-up capital of the Company, have the right to convene an extraordinary general meeting at all times by written requisition to the Company. The shareholders can propose a candidate for election as a Director at general meeting by lodging a notice to the secretary of the Company within 7 days prior to the date of such meeting. The Company has also ensured that its shareholders have the rights to raise questions at general meetings. There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out above.

The 2012 AGM was an important occasion where the Board and the shareholders could communicate directly with each other. The chairmen of the Board and the Board Committees and the external auditor were present at the 2012 AGM to communicate with the shareholders. The 2012 AGM circular distributed to all shareholders before the 2012 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.

For future investor relations, the Company will strive to strengthen investor relationships and maintain transparency of the operating strategies, financial performance and development prospects of the Company.

By order of the Board

ZHU Xinli
Chairman

Beijing, 27 March 2013

Directors and Senior Management

Executive Directors

Mr. ZHU Xinli (朱新禮)

aged 61, is the chairman of the Board and the founder of the Group. He is also the president of the Group. With over 21 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 51, is an executive director of the Board. He is also a vice president of the Group. He has 15 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 53, is an executive director and a vice president of the Company. He holds a Master degree in Business Administration. He has 21 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.

Directors and Senior Management (Continued)

Non-executive Directors

Mr. Andrew Y. YAN (閻焱)

aged 55, has been an 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 from 1994 to 2001. From 1989 to 1994, he worked in the World Bank, the Hudson Institute and US Sprint Co. as an Economist, Research Fellow and Director for Asia 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. Mr Yan also studied advanced finance & accounting couses at the Wharton Business School in 1995.

Currently, Mr. Yan is also a Non-executive Director and Chairman of NVC Lighting Holding Limited (HKSE stock code: 02222); an Independent Non-executive Director of China Resources Land Limited (HKSE stock code: 01109), Fosun International Ltd (HKSE stock code: 00656), China Mengniu Dairy Company Limited (HKSE stock code: 2319) and China Petroleum & Chemical Corporation (HKSE stock code: 0386, Shanghai Stock Exchange stock code: 600028, New York Stock Exchange stock code: SNP and London Stock Exchange stock code: SNP); Non-executive Director of Digital China Holdings Limited (HKSE stock code: 00861), MOBI Development Co., Ltd. (HKSE stock code: 00947), and eSun Holdings Limited (HKSE 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., (New York Stock Exchange stock code: GA); Director of Acorn International Inc. (New York Stock Exchange stock code: ATV), ATA Inc. (Nasdaq stock code: ATAI) and Eternal Asia Supply China Management Ltd. (stock code on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange: 002183). He was a director of Global Education & Technology Group Limited (Nasdaq stock code: GEDU) from Mar 2007 to Dec 2011, the shares of which were withdrawn from Nasdaq in December 2011; a director of China Digital TV Holding Co. Ltd. (New York Stock Exchange stock code: STV) from May 2004 to September 2008; an independent non-executive director of China Oilfield Services Limited (HKSE 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. Mr. Yan was appointed as a non-executive director of the Company in July 2010.

Independent Non-executive Directors

Mr. LEUNG Man Kit (梁民傑)

aged 59, is an independent non-executive director of the Company. He obtained a Bachelor's Degree in Social Science from the University of Hong Kong in 1977. Mr. Leung has over 30 years of experience in project finance and corporate finance. Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (previously known as Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch, and Optima Capital Limited (previously known as Ke Capital (Hong Kong) Limited). Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung has been a Responsible Officer licensed with the Securities and Futures Commission on the regulated activities of Type 6 since December 2004. Mr. Leung was appointed Deputy Chief Executive Officer of Chanceton Capital Partners Limited in March 2011 and was nominated an executive director of Chanceton Financial Group Limited (HKSE stock code: 8020), a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited on 21 September 2011.

Mr. Leung currently is an independent non-executive director and the chairman of the audit committee of NetEase, Inc., a NASDAQ listed company. Mr. Leung is also an independent non-executive director of Junefield Department Store Group Limited (HKSE stock code: 00758), China Ting Group Holdings Limited (HKSE stock code: 03398) and Orange Sky Golden Harvest Entertainment (Holdings) Limited (HKSE stock code: 01132), all of which are listed on The Stock Exchange of Hong Kong Limited. He was appointed as an independent non-executive director of the Company in June 2012.

Mr. SONG Quanhou (宋全厚)

aged 51, 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.

Directors and Senior Management (Continued)

Mr. ZHAO Chen (趙琛)

aged 46, is an independent non-executive director of the Company. He graduated from History Faculty in Peking University and received a MPA from the School of Government of Peking University. He is now acting as the Vice Premier of China Association of Policy and Science of the State Council, Deputy Director of Contemporary Corporate Culture Research Institute of Peking University, Vice Chairman of Arts Work Committee of China Radio and Television Association, Vice President of the State Innovation Promotion Committee (國家創新推廣委員會) and a member of the Economic Committee of the Revolutionary Committee of the Chinese Kuomintang (中國國民黨革命委員會中央委員會經濟委員會). In 2006, he was named as one of the "Top Ten Management Talents in the PRC", and was awarded Human Resources Talent in 2006. He was named in 2007 as one of the "Top Ten Talents of Education in the PRC", and was named the "Man of the 30 Years of PRC Reformation" and was recorded in the Who's Who (人物錄) in 2008. As an expert and scholar of the contemporary culture, Mr. Zhao had contributed much innovations and practices in management. He was appointed as an independent non-executive director of the Company in June 2012.

Ms. ZHAO Yali (趙亞利)

aged 55, 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.

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 58, 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 11 years' extensive experience in human resources, crisis public relationship and corporate culture management.

Mr. ZHOU Hongwei (周紅衛)

aged 41, 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 37, 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 44, is a vice president of the Group, in charge of sales for juices and nectars. She joined the Company in 2000 and has held various positions, including vice president in charge of production management, 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 41, 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 11 years' experience in international trade and 6 years' experience in juice and beverage production, sales and marketing management. She is a member of the 10th CPPCC Committee of Hubei.

Directors and Senior Management (Continued)

Mr. GAO Yanxiang (高彥祥)

aged 52, 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 is also a member of the Technology Committee of China Beverage Industry Association and the Technology Committee of International Federation of Fruit Juice Producers. He was awarded as "An Excellent Scientist for 2003" by China Beverage Industry Association in 2003.

Mr. WANG Xunyoung (王順永)

aged 34, is a vice president of the Group with responsibilities in finance and investor relations. He joined the Company in 2012. Mr. Wang has over ten years of experience in finance and investing in China and across Asia. Prior to joining the group, he has served in investing roles at Johnson Electric Capital, TVG Capital Partners, and Providence Equity Asia. He began his career in investment banking at Goldman Sachs in Hong Kong. Mr. Wang holds a bachelor's degree in Business Administration from the University of California, Berkeley. He is CFA and CPA certified.

Ms. MA Sau Kuen Gloria (馬秀絹)

aged 54, 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 over 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

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 51 to 112, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

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Independent Auditor's Report (Continued)

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 2012, 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 2013

Consolidated Balance Sheet

As at 31 December 2012

		As at 31 December	
		2012	2011
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights	7	746,261	784,455
Property, plant & equipment	8	6,025,704	5,977,210
Intangible assets	9	438,433	457,780
Deferred income tax	11	90,927	70,132
Long-term prepayment	12	84,634	41,980
Investments in associates	13	13,745	9,900
Long-term receivable	13	91,483	3,437
Total non-current assets		7,491,187	7,344,894
Current assets			
Inventories	15	1,605,213	1,149,560
Trade and other receivables	14	1,426,155	1,166,446
Restricted cash	16	115,769	108,902
Cash and cash equivalents	17	521,127	276,572
Total current assets		3,668,264	2,701,480
Total assets		11,159,451	10,046,374
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	115	115
Share premium	18	3,776,401	3,776,401
Other reserves		248,410	252,284
Retained earnings			
— Proposed final dividend	32	—	—
— Others		1,261,308	1,247,138
Total equity		5,286,234	5,275,938

Consolidated Balance Sheet (Continued)

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**1,175,398**	52,972
Deferred government grants	23	**103,927**	91,899
Convertible Bonds	24	**779,148**	725,328
Total non-current liabilities		**2,058,473**	870,199
Current liabilities			
Trade and other payables	21	**1,949,800**	1,342,555
Taxation payable		**6,818**	41,942
Deferred revenue		**50,569**	75,151
Borrowings	22	**1,807,557**	2,440,589
Total current liabilities		**3,814,744**	3,900,237
Total liabilities		**5,873,217**	4,770,436
Total equity and liabilities		**11,159,451**	10,046,374
Net current liabilities		**(146,480)**	(1,198,757)
Total assets less current liabilities		**7,344,707**	6,146,137

Director *Director*

The notes on pages 57 to 112 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10(a)	7,717,145	7,528,362
Loans to subsidiaries	10(b)	76,944	76,944
Total non-current assets		7,794,089	7,605,306
Current assets			
Loans to subsidiaries	10(b)	80,930	575,238
Other receivables		786	990
Cash and cash equivalents	17	17,665	11,852
Total current assets		99,381	588,080
Total assets		7,893,470	8,193,386
EQUITY			
Equity attributable to owners of the parent			
Ordinary shares	18	115	115
Share premium	18	3,776,401	3,776,401
Reserves	19	1,776,157	1,970,515
Total equity		5,552,673	5,747,031
LIABILITIES			
Non-current liabilities			
Borrowings	22	1,092,857	—
Convertible Bonds	24	779,148	725,328
Total non-current liabilities		1,872,005	725,328
Current liabilities			
Other payables	21	57,113	259,156
Borrowing	22	411,679	1,461,871
Total current liabilities		468,792	1,721,027
Total liabilities		2,340,797	2,446,355
Total equity and liabilities		7,893,470	8,193,386
Net current liabilities		(369,411)	(1,132,947)
Total assets less current liabilities		7,424,678	6,472,359

Director *Director*

The notes on pages 57 to 112 are an integral part of this financial statement.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	6	**3,980,766**	3,825,596
Cost of sales	26	**(2,865,608)**	(2,861,285)
Gross profit		**1,115,158**	964,311
Selling and marketing expenses	26	**(980,561)**	(933,871)
Administrative expenses	26	**(277,752)**	(274,344)
Other income-net	25	**280,362**	256,460
Other gain	13	**70,430**	—
Finance costs	28	**(230,555)**	(110,120)
Finance income	29	**14,753**	112,954
Unrealised gain from change of fair value of Convertible Bonds	24	**10,742**	340,603
Share of loss of associates	13	**(1,055)**	(100)
Profit before income tax		**1,522**	355,893
Income tax credit/(expense)	30	**14,637**	(45,398)
Profit for the year		**16,159**	310,495
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**16,159**	310,495
Attributable to:			
Equity holders of the Company		**16,159**	310,495
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)	**1.1**	21.0
— diluted	31(b)	**1.1**	2.2
Dividends	32	**—**	—

The notes on pages 57 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		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 2012		115	3,776,401	219,429	32,855	1,247,138	5,275,938
Comprehensive income							
Profit for the year		–	–	–	–	16,159	16,159
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	16,159	16,159
Transactions with owners							
Profit appropriation to statutory reserves		–	–	1,989	–	(1,989)	–
Dividends		–	–	–	–	–	–
Share-based payment expenses	27	–	–	–	(5,863)	–	(5,863)
Total transactions with owners		–	–	1,989	(5,863)	(1,989)	(5,863)
Balance at 31 December 2012		115	3,776,401	221,418	26,992	1,261,308	5,286,234
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

The notes on pages 57 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**399,393**	470,177
Interest paid		**(228,799)**	(141,672)
Interest received		**12,630**	6,192
Income tax paid		**(41,283)**	(76,105)
Cash flows generated from operating activities — net		**141,941**	258,592
Cash flows used in investing activities			
Proceeds from disposal of an associate	13	**90,000**	—
Proceeds from disposal of land use rights		**29,398**	—
Proceeds from disposal of property, plant and equipment		**21,132**	8,235
Purchase of property, plant and equipment		**(374,378)**	(683,917)
Investment in associates		**(34,900)**	(10,000)
Purchase of land use rights		**(90,990)**	(85,201)
(Increase)/decrease in restricted cash		**(6,867)**	41,986
Cash flows used in investing activities — net		**(366,605)**	(728,897)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		**5,048,277**	1,801,153
Repayments of borrowings from bank and other financial institution		**(4,580,467)**	(1,613,274)
Redemption of convertible bonds		**—**	(542,988)
Dividends paid to the Company's shareholders		**—**	(48,759)
Proceeds from issuance of CB		**—**	962,700
Cash flows from financing activities — net		**467,810**	558,832
Exchange gains/(losses) on cash and cash equivalents		**1,409**	(3,938)
Net increase in cash and cash equivalents		**244,555**	84,589
Cash and cash equivalents at beginning of the year	17	**276,572**	191,983
Cash and cash equivalents at end of the year	17	**521,127**	276,572

The notes on pages 57 to 112 are an integral part of these consolidated financial statements.

Notes to the 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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, 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 2013.

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 2012, the Group's current liabilities exceeded its current assets by RMB146,480,000. 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 on their maturity dates or refinance them when they mature during the 12 months period from 31 December 2012. 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 2011, unless otherwise stated.

(a) Standards, amendments and interpretations effective for the year beginning 1 January 2012 and relevant to the Group's operation

- IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes — recovery of re-valued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The clarification is effective for annual periods beginning on or after 1 January 2012. The clarification does not have any impact on the group's financial results for the year.

- IAS 1, 'Financial statements presentation' regarding other comprehensive income, requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The clarification is effective for annual periods beginning on or after 1 January 2012. The clarification does not have any impact on the group's financial results for the year.

(b) There are no amendments or interpretation effective for the year but not relevant to the Group's operations.

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the group:

- IFRS 1, 'First time adoption on government loans and annual improvements 2011' (effective from 1 January 2013).

- IFRSs 10, 11, 12 on transition guidance (effective from 1 January 2013).

- IASs 1, 16, 32, 34 on annual improvements 2011(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 2012 and have not been early adopted by the group: (Continued)

- IFRS 10 'Consolidated financial statements' (effective from 1 January 2013).
- IAS 27 (Revised 2011) 'Separate financial statements' (effective from 1 January 2013).
- IFRS 11 'Joint arrangements' (effective from 1 January 2013).
- IAS 28 (Revised 2011) 'Investments in associates and joint ventures' (effective from 1 January 2013.
- IFRS 12 'Disclosure of interests on other entities' (effective from 1 January 2013).
- IFRS 13 'Fair value measurements' (effective from 1 January 2013).
- IAS 19 (Amendment) 'Employee benefits' (effective from 1 January 2013).
- IFRS 7 'Financial Instruments: Disclosures' on asset and liability offsetting (effective from 1 January 2013).
- IFRIC — Int 20 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013).
- IAS 32 'Financial instruments: Presentation' on asset and liability offsetting (effective from 1 January 2014).
- IFRS 9 "Financial Instruments" (effective from 1 January 2015).
- IFRSs 7 and 9 (Amendment), "Mandatory effective date and transition disclosures" (effective from 1 January 2015).

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 2012 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. Summary of significant accounting policies (Continued)

3.1 Consolidation

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 one 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. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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.

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.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

3. Summary of significant accounting policies (Continued)

3.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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. Summary of significant accounting policies (Continued)

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.

(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

3. Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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).

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 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 14.

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. Summary of significant accounting policies (Continued)

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 are also embedded derivatives and accounted together with conversion right as a single derivative. At the date of issue of the Convertible Bonds, the derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of derivative from the fair value of the Convertible Bonds as a whole.

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

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

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

3.16 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.

3. Summary of significant accounting policies (Continued)

3.17 Current and deferred income tax (Continued)

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

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

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

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

3.18 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. Summary of significant accounting policies (Continued)

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, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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.

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.

3. Summary of significant accounting policies (Continued)

3.21 Revenue recognition (Continued)

(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 collectability of the related receivables is reasonably assured.

(b) Bill and hold sales

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

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

(c) Interest income

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

3.22 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. Summary of significant accounting policies (Continued)

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 royalty program

The Group grants to its customers award credits as part of sales of goods, and subject to meet any further qualifying conditions, the customers can redeem in the future for 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, price 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"). 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 2012 but may use them from time to time to hedge against certain material foreign exchange exposures.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) *Foreign exchange risk* (Continued)

As at 31 December 2012, assuming the exchange rate of RMB/USD increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for 2012 would have been decreased/increased by RMB15,891,000 (2011: RMB15,760,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

(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 a customer on OEM business, selected distributors 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 RMB412,100,000 as at 31 December 2012 (2011: RMB202,298,000), representing 52% of the total balance of trade receivables at 31 December 2012 (2011: 35%).

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 2012 (2011: 86%).

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) *Credit risk* (Continued)

Cash and cash equivalents

	2012 RMB'000	2011 RMB'000
Bank of Communications Co., Ltd.	**253,271**	185,223
Bank of China Limited	**91,986**	35,324
Bank of Beijing	**88,279**	834
Agricultural Bank of China	**60,045**	22,936
Shanghai Pudong Development Bank	**52,146**	58,600
	545,727	302,917

There are no time deposits denominated in RMB in banks as at 31 December 2012.

(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 2012				
Non-current bank borrowings	–	256,805	918,593	–
Current bank borrowings	1,807,557	–	–	–
Interest payable for bank borrowings	89,476	44,393	30,327	–
Convertible bonds	–	–	779,148	–
Trade and other payables	1,858,974	–	–	–
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	–	–	–
Company				
At 31 December 2012				
Non-current bank borrowings	–	201,136	891,721	–
Current bank borrowings	411,679	–	–	–
Interest payable for bank borrowings	35,855	31,262	22,212	–
Convertible bonds	–	–	779,148	–
Other payables	57,113	–	–	–
At 31 December 2011				
Non-current bank borrowings	–	–	–	–
Current bank borrowings	1,461,871	–	–	–
Interest payable for bank borrowings	12,796	–	–	–
Convertible bonds	–	–	725,328	–
Other payables	259,156	–	–	–

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 2012, 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 RMB10,752,000 (2011: RMB11,423,000) 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.

As at 31 December 2012, the debt-to-equity ratio was 71.2% (including Convertible Bonds) (2011: 61.0%), and 56.4% (excluding Convertible Bonds) respectively (2011: 47.3%).

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 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	—	—	75,464	75,464

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 2012, please refer to Note 24.

If the market price had been 10% higher/lower than management's estimates at 31 December 2012, it would have increased/decrease by RMB5,186,000 for fair value of conversion rights. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2012, it would have increased/decrease by RMB3,822,000 for fair value of conversion rights. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2012, it would have increased/decrease by RMB12,200,000 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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

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

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

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

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

(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. 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 2012, value-in-use amount of the cash-generating unit ("CGU") is higher than the carrying amount of the CGU. If the revenue used in the value-in-use calculation for the CGU had been 8% lower than management's estimates at 31 December 2012, it would have decreased by 7% for the value-in-use of the CGU, which would approximate the carrying amount of the CGU.

(c) Impairment of investments in subsidiaries

Where goodwill has indicator for impairment, the carrying value of the parent entity's investment in the relevant subsidiary 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).

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(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.

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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(h) *Provision for impairment of receivables*

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

6. Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess the revenue from a products 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 the revenues. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of revenue by product category is as follows:

	2012 RMB'000	2011 RMB'000
100% juice products	**1,108,029**	938,829
Nectars	**1,049,911**	1,304,259
Juice drinks	**851,881**	1,041,028
Other beverage products	**970,945**	541,480
	3,980,766	3,825,596

The Group made barter sales of approximately RMB29,252,000 (2011: RMB29,152,000) during the year in exchange for transportation vehicles, advertising services and etc.

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:

	2012 RMB'000	2011 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	746,261	784,455
Total	746,261	784,455
Representing:		
Opening net book amount	784,455	563,514
Additions	47,956	239,639
Amortization of prepaid operating lease payments (Note 26)	(16,206)	(17,021)
Disposal of land use rights (a)	(69,944)	(1,677)
Closing net book amount	746,261	784,455

(a) In June 2012, one subsidiary of the Company disposed its land use rights back to local Bureau of Land and Resources. In June 2012, another subsidiary invested in a joint controlled entity by injecting land use rights, building and cash (Note 13).

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 2012						
Opening net book amount	812,954	2,484,045	60,765	182,766	2,436,680	5,977,210
Additions	2,706	51,502	5,213	30,401	391,655	481,477
Transfer upon completion	49,719	731,558	1,410	16,317	(799,004)	–
Disposals	(51,997)	(11,621)	(6,127)	(505)	–	(70,250)
Depreciation (a) (Note 26)	(29,002)	(273,081)	(11,205)	(49,445)	–	(362,733)
Closing net book amount	784,380	2,982,403	50,056	179,534	2,029,331	6,025,704
At 31 December 2012						
Cost	904,806	4,413,418	158,610	355,941	2,029,331	7,862,106
Accumulated depreciation	(120,426)	(1,431,015)	(108,554)	(176,407)	–	(1,836,402)
Net book amount	784,380	2,982,403	50,056	179,534	2,029,331	6,025,704
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

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

	2012 RMB'000	2011 RMB'000
Cost of sales	291,733	226,515
Administrative expenses	26,206	24,877
Selling and marketing expenses	44,794	44,890
	362,733	296,282

(b) Operating lease rentals amounting to approximately RMB10,231,000 for the year ended 31 December 2012 (2011: RMB10,593,000) 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 2012 (2011: nil).

(d) There is no buildings as at 31 December 2012 (2011: 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 RMB111,272,000 (2011: RMB123,428,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.07% (2011: 4.62%).

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 2012						
Opening net book amount	161,569	166,067	128,738	1,006	400	457,780
Additions	—	—	—	1	—	1
Amortisation charge (a) (Note 26)	(13,089)	—	(5,930)	(268)	(61)	(19,348)
Closing net book amount	148,480	166,067	122,808	739	339	438,433
At 31 December 2012						
Cost	193,294	166,067	177,907	11,864	574	549,706
Accumulated amortisation (b)	(44,814)	—	(55,099)	(11,125)	(235)	(111,273)
Net book amount	148,480	166,067	122,808	739	339	438,433
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

(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 test for goodwill

The goodwill of RMB166,067,000 was generated from acquisition of juice business in PRC in previous years before listing. As the Group has been only engaged in juice business, the Company and its subsidiaries were collectively viewed as one cash-generating unit ("CGU"). The recoverable amounts of the CGU have been 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 is expected to be 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 2012 include budgeted gross margin and discount rate applied to the cash flow projections, which are in a range of 29%–33% and 6%–11%, respectively.

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

The directors are of the view that there was no impairment of goodwill as at 31 December 2012.

(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.

Notes to the Consolidated Financial Statements (Continued)

10. Investments in and loans to subsidiaries

(a) Investments in subsidiaries

	Company 2012 RMB'000	Company 2011 RMB'000
Unlisted equity investments, at cost:	**11,396,113**	11,201,467
Capital contribution relating to share-based payment	**21,499**	27,362
Less: Impairment provision	**(3,700,467)**	(3,700,467)
	7,717,145	7,528,362

The following is a list of all subsidiaries at 31 December 2012:

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 Ltd. UK	The UK	Trade	GBP1,000	100%
Huiyuan Europe GmbH	Germany	Trade	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%

10. Investments in and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[1]Shanxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Anhui Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,800,000	100%
[1]Dezhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Jiangsu Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$13,000,000	100%
[1]Yanbian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[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]Henan Xinyang Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of fruit and vegetable juices	RMB50,000,000	
[1]Heilongjiang Kedong Huiyuan Food & Beverage Co., Ltd. *	The PRC	Manufacture of mineral water	RMB30,000,000	

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

* These subsidiaries were newly established during the year of 2012, the registered capital of which amounted to RMB50,000,000 and RMB30,000,000.

10. Investments in and loans to subsidiaries (Continued)

(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.

11. Deferred income tax — Group

The analysis of deferred tax assets is as follows:

	2012 RMB'000	2011 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	58,109	39,763
— Deferred tax asset to be recovered within 12 months	32,818	30,369
Deferred tax assets (net)	90,927	70,132

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

	2012 RMB'000	2011 RMB'000
At 1 January	70,132	54,765
Tax losses	26,632	1,608
Deferred revenue and other unpaid payables	(5,053)	16,039
Amortisation of trademark	(347)	(347)
Government grants received	(269)	(183)
Provisions for impairment of inventories and receivables	242	130
Unrealised profit	1,213	(1,307)
Other temporary differences	(1,623)	(573)
At 31 December	90,927	70,132

(a) 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 2011	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
Credited/(Charged) to the consolidated statement of comprehensive income	242	(269)	(347)	26,632	1,213	(5,053)	(1,623)	20,795
At 31 December 2012	4,269	4,289	7,223	57,763	3,491	13,854	38	90,927

11. Deferred income tax — Group (Continued)

(a) (Continued)

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 RMB101,949,000 (2011: RMB80,863,000) in respect of losses amounting to RMB407,797,000 (2011: RMB323,451,000) that can be carried forward against future taxable income. Losses amounting to RMB58,003,000 (2011: RMB12,347,000) and RMB349,794,000(2011: RMB311,104,000) will expire in 2013 and the years between 2014 and 2017 respectively.

Deferred income tax liabilities of RMB55,901,000 (2011: RMB55,901,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings, totalling RMB55,901,000 at 31 December 2012 (2011: RMB55,901,000), 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 2012 and 2011 since the Group has no plan to distribute such profits in the foreseeable future.

12. Long-term prepayment — Group

	2012 RMB'000	2011 RMB'000
Long-term prepayment for land use rights	43,034	—
Long-term prepayment for property, plant and equipment	41,600	41,980
Total	84,634	41,980

13. Investments in Associates — Group

	2012 RMB'000	2011 RMB'000
At 1 January 2012	9,900	—
Capital injection in associates (b)	59,823	10,000
Share of loss of associate (a)	(1,055)	(100)
Dispose of an associate (b)	(54,923)	—
At 31 December 2012	13,745	9,900

13. Investments in Associates — Group (Continued)

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

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/ (Loss) RMB'000	% interest held
31 December 2011						
Golden Creation (Tianjin) Trade Co. Ltd.	China	44,845	16,232	23,423	(380)	26.18
		44,845	16,232	23,423	(380)	
31 December 2012						
Golden Creation (Tianjin) Trade Co. Ltd.	China	68,961	35,166	58,324	363	24.45
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd	China	7,837	185	109	(2,348)	49.00
		76,798	35,351	58,433	(1,985)	

(b) In June 2012, one subsidiary of the Company, Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd. ("Chengdu Huiyuan") established a subsidiary, Chengdu Huifu Real Estate Co. Ltd. ("Huifu"), by injecting LUR, property and cash, which amounted to RMB79,847,000 and RMB30,000,000 respectively. On 29 June 2012, Chengdu Huiyuan transferred 35% and 15% equity interest of Huifu to two third parties with the amount of RMB63,000,000 and RMB27,000,000, respectively. As of 30 June 2012, Chengdu Huiyuan held 50% equity interest in Huifu as investment in an associate.

On 19 December 2012, Chengdu Huiyuan signed agreement with a third party shareholder who was holding 35% equity interest of Huifu and its ultimate controlling shareholder Mr. Zhu Kaiyou (the "purchaser"). Counter parties achieved agreement that, in the following five years since the effective date of the agreement on 24 December 2012, Chengdu Huiyuan transferred its control, management and its voting rights in Huifu to the purchaser. As a return, the purchaser will give fixed amount reward of RMB40,500,000 each year to Chengdu Huiyuan in the following five years, and a final payment of RMB90,000,000 in 2018.

On the effective date of the agreement, Chengdu Huiyuan de-recognised the investment in Huifu and recognised a long-term receivable at the amount which is expected to be collected from the purchaser in the following five years reward under an appropriate discount rate. The difference of carrying value of investment in Huifu amounting to RMB54,923,000 and cost of long-term receivable amounting to RMB90,000,000 was recognised in "other gain" of the statement of comprehensive income for the year ended 31 December 2012.

14. Trade and other receivables — Group

	2012 RMB'000	2011 RMB'000
Trade receivables	**761,226**	574,786
Related parties (a) (Note 36(c))	**8,886**	295
Third parties (a)	**787,356**	606,058
Less: Provision for impairment of receivables (a)	**(35,016)**	(31,567)
Bills receivable — third parties (b)	**32,574**	38,493
Prepayments of raw materials and others — third parties	**252,659**	189,461
Deductible VAT input balance	**347,259**	307,110
Other receivables	**32,437**	56,596
Related parties (Note 36(c))	**3,510**	37,314
Third parties	**28,927**	19,282
	1,426,155	1,166,446

The carrying amounts of receivables approximate their fair values.

(a) The majority of the Group's sales are settled in cash or by cheque on delivery of goods, except for a customer on OEM business and sales to selected 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 2012 and 2011, the ageing analysis of the receivables was as follows:

— Third parties

	2012 RMB'000	2011 RMB'000
Within 3 months	**632,082**	452,838
Between 4 and 6 months	**77,712**	70,724
Between 7 and 12 months	**40,773**	54,298
Between 1 and 2 years	**23,160**	18,210
Over 2 years	**13,629**	9,988
	787,356	606,058

14. Trade and other receivables — Group (Continued)

(a) (Continued)

— Related parties

	2012 RMB'000	2011 RMB'000
Within 3 months	**8,455**	106
Over 3 months	**431**	189
	8,886	295

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

	2012 RMB'000	2011 RMB'000
At 1 January	**31,567**	20,087
Provision for impairment of receivables	**3,449**	11,480
At 31 December	**35,106**	31,567

As at 31 December 2012, trade receivables of RMB35,106,000 (2011: RMB31,567,000) were past due and fully provided for provision. 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:

	2012 RMB'000	2011 RMB'000
7 to 12 months	**—**	3,369
Over 1 year	**35,106**	28,198
	35,106	31,567

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

	2012 RMB'000	2011 RMB'000
Renminbi	**662,179**	507,575
U.S. Dollar	**99,047**	67,211
	761,226	574,786

14. Trade and other receivables — Group (Continued)

(a) (Continued)

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.

No bill receivables was pledged as security for current bank borrowings as at 31 December 2012 (2011: RMB18,400,000 were pledged as security for current bank borrowings of RMB16,500,000).

15. Inventories — Group

	2012 RMB'000	2011 RMB'000
Raw materials	**1,094,587**	711,749
Finished goods	**171,149**	157,276
Spare parts and consumable materials	**339,477**	280,535
	1,605,213	1,149,560

The cost of inventories recognised as expenses amounted to RMB2,204,444,000 (2011: RMB2,321,124,000), which included inventory write-down of RMB29,734,000 (2011: RMB26,233,000).

16. Restricted cash

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

17. Cash and cash equivalents

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash at banks and cash in hand				
Denominated in				
— Renminbi Yuan	**596,936**	330,639	**—**	—
— U.S. Dollars	**36,505**	50,963	**17,608**	11,825
— Euros	**3,440**	3,845	**43**	—
— Others	**15**	27	**14**	27
	636,896	385,474	**17,665**	11,852
Less: Restricted cash (Note 16)				
— pledged for letter of credits	**(94,880)**	(50,902)	**—**	—
— deposit for note payables	**(20,889)**	(58,000)	**—**	—
	521,127	276,572	**17,665**	11,852

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

18. 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 2012	**1,477,953**	**115**	**3,776,401**	**3,776,516**
At 31 December 2012	**1,477,953**	**115**	**3,776,401**	**3,776,516**
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

19. Reserve of the Company

	Company RMB'000
At 1 January 2012	**1,970,515**
Loss for the year	**(188,495)**
Capital contribution relating to share-based payment	**(5,863)**
Dividends paid	**—**
At 31 December 2012	**1,776,157**
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

20. Share option

(a) Share Option Scheme

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

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

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

20. Share option (Continued)

(a) Share Option Scheme (Continued)

Movement of the options granted under the share option scheme during the year ended 31 December 2012 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 2012	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 2012
Qi Daqing	13 July 2010	29 June 2012*	5.426	150,000	–	150,000	–	–
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	–	15,040,708	–	13,769,792
				28,960,500	–	15,190,708	–	13,769,792

* Mr. Qi has resigned as a director of the Company with effect from 29 June 2012, therefore, all outstanding options granted to him and not already exercised lapsed on the date of resignation.

There were 15,190,708 shares lapsed during 2012 as the grantees did not meet certain service or performance vesting conditions during related vesting periods. Accordingly, there were RMB5,906,000 share-based payment expenses reversed in the year ended 31 December 2012.

(b) Fair value of share options

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

	RMB'000
Fair value of the Share Options granted on 25 February 2008	29,174

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

Grant date	25 February 2008
Spot share price (HK$)	6.39
Strike price (HK$)	6.39
Expected volatility	44.81%
Maturity (years)	10
Interest rate	3.64%
Dividend yield	2.87%
Suboptimal exercise factor	1.5

20. Share option (Continued)

(b) Fair value of share options (Continued)

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

Fair values of the Share Options are charged to the income statement over the vesting periods of the options. As of 31 December 2012, the grantees did not meet certain vesting conditions during related vesting periods, therefore, the Company reversed related share option expense amounting to RMB5,906,000 for the year ended 31 December 2012. As a result, total share option expenses charged to the consolidated statement of comprehensive income for the year ended 31 December 2012 amounting to negative RMB5,863,000 (2011: RMB1,802,000).

21. Trade and other payables

Group	2012 RMB'000	2011 RMB'000
Trade payables (a)(b)	**1,449,715**	893,271
Related parties (Note 36(c))	**890,780**	449,900
Third parties	**558,935**	443,371
Other payables	**500,085**	449,284
Related parties (Note 36(c))	**39,821**	7,065
Third parties	**460,264**	442,219
	1,949,800	1,342,555

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

— Third parties

	2012 RMB'000	2011 RMB'000
Within 3 months	**515,556**	400,362
Between 4 and 6 months	**18,481**	19,851
Between 7 and 12 months	**9,383**	13,538
Between 1 and 2 years	**7,367**	6,180
Between 2 and 3 years	**6,922**	2,321
Over 3 years	**1,226**	1,119
	558,935	443,371

21. Trade and other payables (Continued)

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

—Related parties

	2012 RMB'000	2011 RMB'000
Within 3 months	**856,282**	305,367
Between 4 and 6 months	**10,120**	142,260
Between 7 and 12 months	**24,378**	2,273
	890,780	449,900

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

	2012 RMB'000	2011 RMB'000
Renminbi	**1,385,968**	867,453
U.S. Dollar	**63,747**	25,818
	1,449,715	893,271

Details of other payables — third parties are as follows:

	2012 RMB'000	2011 RMB'000
Payable for property, plant and equipment	**74,567**	107,294
Deposits payable	**123,774**	153,068
Advertising expenses payable	**87,335**	51,706
Advance from customers	**44,819**	38,774
Accrued expenses	**52,695**	28,508
Interest Payables	**24,890**	1,853
Salary and welfare payable	**26,385**	17,095
Other taxes	**9,987**	9,967
Others	**15,812**	33,954
	460,264	442,219

Company	2012 RMB'000	2011 RMB'000
Amount due to subsidiaries	**57,113**	259,156

22. Borrowings

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Non-current				
Bank borrowings	1,175,398	52,972	1,092,857	—
Current				
Other financial institution borrowings	—	3,000	—	—
Bank borrowings	1,807,557	2,437,589	411,679	1,461,871
Total Bank borrowings	2,982,955	2,493,561	1,504,536	1,461,871

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Unsecured	2,322,220	2,477,001	1,190,261	1,461,871
Secured	660,735	16,560	314,275	—
Total Bank borrowings	2,982,955	2,493,561	1,504,536	1,461,871

The Group had no bank borrowings secured by note receivables at 31 December 2012. The Group had no borrowings secured by property, plant and equipment, and land use rights.

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Wholly repayable within 5 years	2,982,955	2,493,561	1,504,536	1,461,871

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

	Group 2012	Group 2011	Company 2012	Company 2011
Bank borrowings	6.29%	6.89%	4.94%	5.81%

Since the non-current bank borrowings are at 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.

22. Borrowings (Continued)

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
U.S. Dollar	**1,504,536**	1,461,871	**1,504,536**	1,461,871
EUR	**—**	24,896	**—**	—
Renminbi	**1,478,419**	1,006,794	**—**	—
	2,982,955	2,493,561	**1,504,536**	1,461,871

The Group has undrawn borrowing facilities of RMB1.93 billion as of 31 December 2012 (2011: RMB1.97 billion).

23. Deferred government grants — Group

	2012 RMB'000	2011 RMB'000
Opening net amount at beginning of year	**91,899**	64,752
Additions	**15,991**	30,536
Amortisation credit (Note 25)	**(3,963)**	(3,389)
Closing net amount at end of year	**103,927**	91,899
At end of year		
Cost	**130,436**	114,558
Accumulated amortisation	**(26,509)**	(22,659)
Net book amount	**103,927**	91,899

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

	2012 RMB'000	2011 RMB'000
For acquisition of property, plant and equipment	**13,400**	44,998
For acquisition of land use rights	**55,655**	55,655
Others	**61,381**	13,905
	130,436	114,558

24. Convertible Bonds

	2012 RMB'000	2011 RMB'000
Convertible Bonds due 2016, liability components	**703,684**	639,122
Fair value of embedded derivatives	**75,464**	86,206
	779,148	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.

24. Convertible Bonds (Continued)

(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

(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.

24. Convertible Bonds (Continued)

(f) Redemption for Delisting or Change of Control (Continued)

	RMB'000
Fair value of conversion rights as at 31 December 2011	86,206
Less: Fair value of conversion rights as at 31 December 2012	(75,464)
Fair value changes of conversion rights	10,742

The fair value change in the conversion right for the year ended 31 December 2012 is RMB10,742,000, 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 year ended 31 December 2012 amounted to RMB103,838,000, which is calculated using the effective interest method with an effective interest rate of 16.45%.

	RMB'000
Liability component as at 31 December 2011	639,122
Add: Interest expense for the year (note 28)	103,838
Less: Interest payment during the year	(37,751)
Less: Unrealised exchange gain (note 29)	(1,525)
Liability component as at 31 December 2012	703,684

The fair value of the liability component of the 2016 Convertible Bonds at 31 December 2012 amounted to RMB835,915,000. The fair value is calculated using cash flow discounted at a rate of 10.02%.

25. Other income — net

	2012 RMB'000	2011 RMB'000
Government subsidy income	250,817	200,532
Net income from sales of materials and scrap	10,511	46,229
Amortisation of deferred government grants (Notes 23)	3,963	3,389
Gain on disposals of property, plant and equipment	2,039	248
Donation	—	(515)
Net income from sales of trucks	—	—
Sales of trucks	48,519	8,550
Cost of trucks	(48,519)	(8,550)
Others	13,032	6,577
	280,362	256,460

26. Expenses by nature

	2012 RMB'000	2011 RMB'000
Raw materials used in inventories (Note 15)	**2,174,710**	2,294,891
Advertising and other marketing expenses	**537,606**	509,670
Depreciation of property, plant and equipment (Note 8)	**362,733**	296,282
Employee benefit expense (Note 27)	**391,404**	366,624
Water and electricity	**200,513**	172,325
Transportation and related charges	**182,489**	161,834
Repairs and maintenance	**40,704**	28,644
Land use tax	**25,793**	28,382
Impairment loss of inventories (Note 15)	**29,734**	26,233
Travelling expense	**26,188**	25,777
Office and communication expenses	**22,713**	21,240
Amortization of trademark and license right (Note 9)	**19,348**	20,107
Amortization of prepaid operating lease payments (Note 7)	**16,206**	17,021
Rental expenses	**10,231**	10,593
Impairment loss for trade and other receivables (Note 14)	**7,158**	11,480
Auditors' remuneration	**4,639**	4,418
Other expenses	**71,752**	73,979
Total cost of sales, selling and marketing and administrative expenses	**4,123,921**	4,069,500

27. Employee benefit expense

	2012 RMB'000	2011 RMB'000
Wages and salaries	**356,726**	327,592
Contributions to pension plan and other benefits	**40,541**	37,230
Share-based payment expenses	**(5,863)**	1,802
	391,404	366,624

(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:

	2012 RMB'000	2011 RMB'000
Salaries, wages and bonuses	3,487	3,227
Contributions to pension plan	73	54
Welfare and other expenses	81	62
	3,641	3,343

The emoluments of the directors were as follows:

	2012			
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	1,327	28	43	1,398
Li Wen-chieh	800	–	–	800
Jiang Xu	480	45	38	563
Andrew Y. Yan	–	–	–	–
Leung Man Kit	180	–	–	180
Zhao Yali	200	–	–	200
Song Quanhou	200	–	–	200
Zhao Chen	100	–	–	100
Qi Daqing	100	–	–	100
Wang Bing	100	–	–	100

27. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

	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
Li 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

None of the directors waived any emoluments during the years ended 31 December 2012 and 2011.

During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2011: nil).

(c) Five highest paid individuals

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

	Number of individuals	
	2012	2011
Directors	3	3
Other senior management	2	2

The five highest paid individuals include three (2011: 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:

	2012 RMB'000	2011 RMB'000
Salaries, wages and bonuses	2,623	902
Contributions to pension plan	—	48
Welfare and other expenses	24	53
Share-based payment expenses	—	7
	2,647	1,010

27. Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

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

	Number of individuals	
	2012	**2011**
Nil–HK$1,000,000 (equivalent to approximately RMB810,800 on 31 December 2012or RMB810,700 on 31 December 2011)	**—**	2
Above HK$1,000,000	**2**	—

28. Finance cost

	2012 RMB'000	2011 RMB'000
Interest expenses:		
— Bank borrowings	**237,989**	134,001
— Interest expense relating to Convertible Bonds (Note 24)	**103,838**	94,331
— Financing cost of repaying long-term payables	**—**	5,216
Less: Interest capitalised	**(111,272)**	(123,428)
	230,555	110,120
Weighted average effective interest rates used to calculate capitalisation amount	**5.07%**	4.62%

29. Finance income

	2012 RMB'000	2011 RMB'000
Interest income:		
— from bank deposits	**12,630**	6,192
Exchange gain (excluding Convertible Bonds)	**598**	77,638
Exchange gain on liability component of Convertible bonds (Note 24)	**1,525**	29,124
	14,753	112,954

30. Income tax credit/(expense)

	2012 RMB'000	2011 RMB'000
Deferred income tax credit (Note 11)	**20,795**	15,367
Current income tax — PRC enterprise income tax	**(6,158)**	(60,765)
	14,637	(45,398)

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:

	2012 RMB'000	2011 RMB'000
Profit before income tax	**1,522**	355,893
Tax calculated at the statutory tax rates of 25% (2011: 25%)	**(381)**	(88,973)
Tax effect:		
Fair value change in conversion right of convertible bonds not subject to tax (note 24)	**2,686**	85,151
Expense not deductible for tax purpose	**(2,181)**	(6,305)
Tax losses for which no deferred income tax asset was recognised	**(23,300)**	(52,917)
Preferential tax rates on the income of certain subsidiaries	**24,499**	872
Income not subject to tax	**2,262**	2,300
Tax losses used in current year which no deferred income tax asset was recognised in prior year	**11,052**	14,474
Income tax credit/(expense)	**14,637**	(45,398)

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

30. Income tax credit/(expense) (Continued)

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 2011 and 2012 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.

	2012 RMB'000	2011 RMB'000
Profit attributable to equity holders of the Company	**16,159**	310,495
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,477,953
Basic earnings per share (RMB cents)	**1.1**	21.0

31. Earnings per share (Continued)

(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:

	2012 RMB'000	2011 RMB'000
Profit attributable to equity holders of the Company	**16,159**	310,495
Add: Interest expense relating to Convertible Bonds (note 24)	**—***	94,331
Less: Unrealised exchange gain relating to Convertible Bonds (note 24)	**—***	(29,124)
Less: Fair value changes of conversion rights of Convertible Bonds (note 24)	**—***	(340,603)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**16,159**	35,099
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,477,953
Adjustment for Convertible Bonds (thousands)	**—***	145,104
Adjustment for share options (thousands)	**—****	—**
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,477,953**	1,623,057
Diluted earnings per share (RMB cents)	**1.1**	2.2

* In the year 2012, the impact of interest expense of, unrealised exchange loss of and fair value changes of conversion rights of the Convertible Bonds are antidilutive and have therefore been excluded from the calculation of diluted earnings per share.

** In 2012 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 2012.

33. Notes to consolidated cash flow statement

	2012 RMB'000	2011 RMB'000
Profit before income tax	**1,522**	355,893
Adjustments for:		
— Share-based payment expenses (Note 27)	**(5,863)**	1,802
— Fair value changes of convertible right of Convertible Bonds (Note 24)	**(10,742)**	(340,603)
— Amortisation of deferred government grants (Note 23)	**(3,963)**	(3,389)
— Depreciation of property, plant and equipment (Note 8)	**362,733**	296,282
— Amortisation of trademark and license right (Note 9)	**19,348**	20,107
— Amortisation of land use rights (Note 7)	**16,206**	17,021
— Impairment loss of inventory (Note 15)	**29,734**	26,233
— Provision for trade receivable (Note 14)	**7,158**	11,480
— Gain on disposal of property, plant and equipment (Note 25)	**(2,039)**	(248)
— Gain on disposal of LUR agreement	**(4,210)**	(1,677)
— Interest income from bank deposits (Note 29)	**(12,630)**	(6,192)
— Interest expense relating to Convertible Bonds (Note 28)	**103,838**	94,331
— Interest expense (Note 28)	**126,717**	10,573
— Gain on disposal of an associate (Note 13)	**(70,430)**	—
— Share of loss of associates (Note 13)	**1,055**	100
— Exchange gains on Convertible Bonds (Notes 24, 29)	**(1,525)**	(29,124)
— Exchange gains (excluding Convertible Bonds) (Note 28, 29)	**(598)**	(77,638)
	556,311	374,951
Changes in working capital:		
— Inventories	**(485,387)**	(107,168)
— Trade and other receivables	**(195,394)**	(185,195)
— Trade and other payables	**548,446**	330,898
— Deferred revenue	**(24,583)**	56,691
Cash generated from operations	**399,393**	470,177

(a) Non-cash transactions

The purchase of property, plant and equipment amounting to RMB74,567,000 and RMB107,294,000 have not been settled as at 31 December 2012 and 2011.

34. Contingencies

The group has legal claim arising in the ordinary course of business. After taking appropriate legal advice, it is not anticipated that any material liabilities will arise from the legal claim (2011: nil).

35. Commitments

(a) Capital commitments

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

	2012 RMB'000	2011 RMB'000
Purchase of property, plant and equipment	**128,106**	160,655

(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

	2012 RMB'000	2011 RMB'000
No later than 1 year	**4,000**	2,214
Later than 1 year and no later than 5 years	**4,000**	8,000
	8,000	10,214

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.

36. Related-party transactions (Continued)

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

Continuing transaction

	2012 RMB'000	2011 RMB'000
Sales of goods and services		
Sales of products to an associate	83,156	23,933
Sales of recyclable containers	44,619	23,270
Income for provision of power and other utilities	3,090	2,420
	130,865	49,623
Purchase of materials and services		
Purchase of raw materials	1,249,495	1,034,535
Rental expenses for lease of property, plant and equipment and land use rights	2,000	2,000
	1,251,495	1,036,535
Key management compensation		
Salaries, wages and bonuses	8,753	6,361
Contributions to pension plan	368	201
Welfare and other expenses	472	229
Share option expenses	(5,863)	1,802
	3,730	8,593

In the year of 2011 and 2012, 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 2012, a related company of the Group, Beijing Huiyuan Beverage & Food Group Co. Ltd., provided the Group with the right to use three production lines at no consideration. (2011: Three).

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

	2012 RMB'000	2011 RMB'000
Sales of goods and services		
Sales of raw materials to related parties	**1,355**	1,350

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

	2012 RMB'000	2011 RMB'000
Trade receivables	**8,886**	295
Other balance due from related parties	**3,510**	37,314
Trade payables	**890,780**	449,900
Other balance due to related parties	**39,821**	7,065

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

37. Events after the balance sheet date

There were no significant events after 31 December 2012.

Glossary of Terms

"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

Glossary of Terms (Continued)

"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.