UNI-PRESIDENT CHINA HOLDINGS LTD.
統一企業中國控股有限公司*

(a company incorporated in the Cayman Islands with limited liability)
(一家於開曼群島註冊成立的有限公司)
(Stock Code 股份編號: 220)

ANNUAL REPORT 2010 年報

* For identification purpose only 僅供識別

Contents

Corporate Information

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(Stock Code: 220)

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY-1104
Cayman Islands

HEAD OFFICE

No. 131, Linhong Road
Shanghai Hongqiao Linkong Economic Zone
Changning District
Shanghai
China

PLACE OF BUSINESS IN HONG KONG

Unit 703A, 7/F., Golden Centre
188 Des Voeux Road Central
Hong Kong

WEBSITE ADDRESS

www.upch.com.cn

COMPANY SECRETARY

Ms. Ma Sau Kuen, Gloria

AUDIT COMMITTEE

Mr. Fan Ren-Da, Anthony *(Chairman)*
Mr. Chen Sun-Te
Mr. Lin Lung-Yi
Mr. Lo Peter

NOMINATION COMMITTEE

Mr. Fan Ren-Da, Anthony *(Chairman)*
Mr. Lo Chih-Hsien
Mr. Lo Peter

REMUNERATION COMMITTEE

Mr. Chen Sun-Te *(Chairman)*
Mr. Lin Chang-Sheng
Mr. Yang Ing-Wuu

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Industrial and Commercial Bank of China
China Construction Bank
China Merchants Bank

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISERS

Freshfields Bruckhaus Deringer
11/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-1107
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

SUMMARY OF RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**12,590,784**	9,108,610	9,241,571	8,656,777	7,883,692
Gross profit	**4,043,057**	3,616,667	3,155,718	2,914,680	2,327,940
Profit before income tax	**682,465**	896,471	442,148	484,466	175,546
Income tax expense	**(163,397)**	(191,589)	(98,307)	(60,461)	(29,476)
Profit for the year	**519,068**	704,882	343,841	424,005	146,070
Profit attributable to equity holders of the Company	**519,068**	704,882	343,841	424,005	146,070
Dividends	**155,712**	352,458	171,909	–	–
	RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Basic earnings per share	**14.42**	19.58	9.56	14.04	4.87

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**9,580,685**	8,153,803	7,124,981	6,955,079	4,606,570
Total liabilities	**2,921,148**	1,699,977	1,382,439	1,770,252	2,074,340
Total equity	**6,659,537**	6,453,826	5,742,542	5,184,827	2,532,230
Cash and cash equivalents	**2,427,362**	3,359,788	3,272,859	3,411,868	841,123
Net current assets/(liabilities)	**1,497,772**	2,812,972	2,825,641	2,585,485	(177,691)

Chairman's Statement

In spite of the adversity brought by the complicated domestic and international political and economic environments as well as frequent natural disasters, the overall economic development of the People's Republic of China (the "PRC") remained positive in 2010 as the PRC central government has reinforced and perfected its macro-economic control, thereby effectively strengthened the country's resistance to the global financial crisis. Gross domestic product (GDP) for the year reached RMB39,798.3 billion, 10.3% higher than that of last year. The per capita disposable income of urban residents for the year increased by 11.3% to RMB19,000. As a result, the PRC took the place of Japan in the second quarter as the second largest economy in the world. Looking forward, we expect that the PRC will continue to grow rapidly, generate enormous purchasing power and exert increasing influence over the world economy, and we believe this represents a great opportunity for the development of the fast-moving consumer goods industries.

2010 was an extraordinary year. The world turned the spotlight to the World Expo in Shanghai, China. While the major economies around the globe are still struggling for recovery, the Chinese market has already regained its momentum due to improved domestic consumption. Following 18 years of market expansion, the Group achieved a revenue of over RMB10 billion for the first time at the end of September 2010, with a record-breaking annual revenue of RMB12,590.8 million. Nevertheless, due to a continual surge in raw material prices, profit before taxation decreased to RMB682.5 million. Notwithstanding the merciless market competition and persistent rise in raw material prices and labour cost, Uni-President China Holdings Ltd. ("Uni-President China Holdings" or the "Company", together with its subsidiaries, the "Group" or "we" or "us") is confident that it will be able to overcome such challenges with its effective operation and optimised product mix.

Guided by the principle that fortune favors the brave, the operation team of the Group adhered to our unique development strategy and undertook an operational reform that has spanned three years. In contrast to the previous extensive operation which focused on a regional perspective, our marketing activities have become more sophisticated with the adoption of differentiated and specific marketing strategy for each unique market division. Initially launched in Guangdong and supported by its product quality and promotional effort, our new product, Assam Milk Tea, helped our milk tea stage a comeback as the top brand in the market. After two years of successful implementation of the instant noodles product mix adjustment, competitive key products in line with our development strategy have been selected from all the existing product items and kept for the purpose of focused operation, and the instant noodles business took on a new look and brought our instant noodles back to the stage of competition among major brands. "Lao Tan Pickled Cabbage" noodles became the hit products of the Company and ranked among the most favored noodles flavours in the PRC market.

Constant dropping wears a stone. Effective establishment and smooth running of the overall operating system are both vital to the sustainable and healthy growth of the Group. Our efforts begin with the recruitment of talents and our hiring decisions are made based solely on an individual's ability. We recruit external and local candidates of high calibre and promote talents from within so as to deploy suitable persons for appropriate tasks. The focus of our structural reform in 2011 will be to enhance cross-department cooperation and synergy, as well as enhance our execution effectiveness, speed and accuracy. We will continue to speed up the development of our sales channels, focus on building our brand and constantly introduce new products to the market in an active but prudent manner. Leveraging on our coordination ability, we will introduce better and innovative products with Chinese local characteristics one after another in the future.

The growth of an enterprise is built on the support of consumers. Consistent with our long-established corporate and social responsibility, the Group persists in strengthening our research and development capacity with an aim to offer more quality products to consumers. Starting from 2010, the Group has been continuing and will continue to expand our investment in the PRC each year. We believe world-class state-of-the-art production lines coupled with scientifically planned modern factories will meet rising market demand while benefiting regional economic development by creating jobs after being put into production.

Chairman's Statement

Reciprocation has always been our motto. Yushu, Qinghai and Zhouqu, Gansu were successively hit by natural disasters and suffered great loss of lives and damages to properties. The Group acted immediately and expressed the condolence of all our staff. Unity is strength and a friend in need is a friend indeed. Support from and concern for the community are important to the development of an enterprise. A good and ethical corporate image could only be built by duly taking up social responsibility.

Feather by feather a goose can be plucked. Thus, while enjoying our current successes with a humble attitude, we will also review our operational defects. The coming year will mark the beginning of the Twelve Five-Year Plan and is a period which we believe will offer plenty of opportunities. We believe the consumption pattern will change significantly as the income inequality between urban and rural areas narrows. We believe the constant increase in per capita disposable income will also bring enormous room for development to the retail sector. According to the Twelve Five-Year Plan, the four east-west and four north-south high speed railways will greatly reduce the temporal and spatial distance between regions, while the daily living circle will be widened bit by bit. Six major special economic zones will enhance and expand the dimension of economic development. In this coming and challenging year, our ability to adapt to and take advantage of the PRC central government's policy of encouraging domestic consumption will be tested.

Staying in the valley shall never get over the hill. We shall turn our focus to the challenging future. Looking forward to 2011, we must continue to progress. We will spare no effort in strengthening the competitiveness of our businesses, building up an international food enterprise by providing quality and diversified products, following our business mission to achieve outstanding performance in three aspects and conduct business fairly while realising our corporate values of honesty, hardwork, innovation and perfection.

Lo Chih-Hsien
Chairman

29 March 2011

Management Discussion & Analysis

ECONOMIC ENVIRONMENT

In review of 2010, benefited from effective macro-economic control measures, the economy of the PRC sustained high growth. GDP for the year recorded a year-on-year growth of 10.3%, which was 1.1 percentage points higher than that of last year. Total national retail sales of consumer goods for the year was RMB15,455.4 billion, representing a year-on-year growth of 18.4%. Total urban retail sales of consumer goods was RMB13,368.9 billion, representing a year-on-year growth of 18.8%. Total rural retail sales of consumer goods was RMB2,086.5 billion, representing a year-on-year growth of 16.1%. The per capita disposable income continued to grow at a fast pace. The national economy is developing on a healthy track with stable growth.

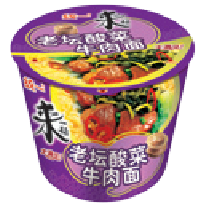
BUSINESS REVIEW

Owing to the joint effort of the operation team, the Group's operating revenue rose to a record high of more than RMB10 billion in 2010. However, despite the continuous effort to advance our technology and improve the gross profit of products during the year, gross profit margin decreased by 7.6% to 32.1% due to the surge in raw material prices. Net profit after tax declined to RMB519.1 million. The business performances of the Group's main operations are as follows:

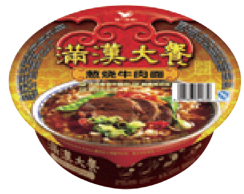
FINANCIAL RESULTS

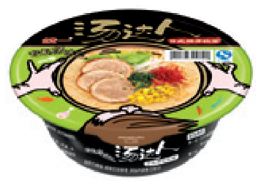
For the year ended 31 December 2010 (the "year under review"), the Group recorded a revenue of RMB12,590.8 million, representing an increase of 38.2% from RMB9,108.6 million for last year. Revenue from our instant noodles and beverages products amounted to RMB3,549.1 million and RMB8,796.4 million respectively, accounting for 28.2% and 69.9% respectively of the Group's total revenue. During the year under review, gross profit increased by 11.8% to RMB4,043.1 million and gross profit margin dropped 7.6% from 39.7% for last year to 32.1%. During the year under review, in spite of the satisfactory growth in revenue brought by the surging revenue from instant noodles and beverages products of 27.0% and 67.4% respectively, gross profit margin dropped due to the hiking prices of raw materials. In light of the continuous and rapid growth of the Chinese economy during the year, the Group seized the opportunity to expand its customer base and develop its markets by stepping up its efforts to improve marketing mix and strengthen product promotion, causing selling and marketing expenses during the year under review to increase to RMB3,291.5 million (2009: RMB2,581.2 million). During the year under review, administrative expenses decreased by 6.4% to RMB324.1 million (2009: RMB346.1 million), which was mainly attributable to the Group's efficient operation system which allows effective cost control in the supporting departments and enhancement of their operation efficiency, thereby maintaining a stable amount of administrative expenses amid increasing turnover and pressure on labour cost. Profit attributable to equity holders of the Company amounted to RMB519.1 million, dropped 26.4% from RMB704.9 million for last year. During the year under review, bank deposits of the Group were mainly denominated in Renminbi, and net finance income for the year increased to RMB55.2 million (2009: net finance income of RMB47.0 million). In addition, share of results of jointly controlled entities and associates fell by 16.6% to RMB69.0 million (2009: RMB82.7 million) due to the decrease in earnings of Jinmailang Beverage (Beijing) Co., Ltd. during the year. During the year under review, earnings per share were RMB14.42 cents (2009: RMB19.58 cents).

Instant Noodles



With the successful implementation of the product mix adjustment, revenue from the instant noodles business for 2010 was 67.4% higher than that of 2009. "Lao Tan Pickled Cabbage and Beef (老壇酸菜牛肉)" flavoured noodles were the focus of the operation of the Group's instant noodles and were well received and recognised by the general PRC market. As such, our instant noodles experienced a rapid increase in terms of results and market share and, again, became one of the active brands in the market. Nevertheless, during 2010, the continuous price rise of main raw materials such as flour and palm oil put heavy cost pressure on our instant noodles. Leveraging on the economies of scale due to impressive growth and effective control over costs and expenses, in the fourth quarter, the instant noodles business attained its first earnings after these years. In general, the operation, profitability and quality of the instant noodles business have been strengthened.





2010 was another prosperous year for the instant noodles business. The "Famous Brand"-and-"Popular Flavour"-oriented strategy was successfully implemented. The "Experience the Sourness and Al Dente" promotion allowed more consumers to taste the "Lao Tan Pickled Cabbage (老壇酸菜)" flavoured noodles and received satisfactory feedback from the PRC market. In view of the increase in individual purchasing power, we expect that more consumers will be interested in medium to high priced quality products and, thus, the results of the product mix optimisation of the Group's instant noodles will materialise. With increasing urbanisation, city distributors and rural joint sales entities were well spread across our channel network. It extended the channels for the Group's instant noodles to third and fourth tier cities and rural regions and materialised another transformation of the Group's instant noodles. Looking ahead into 2011, the Group's instant noodles will continue to focus on the sustainable enforcement of its products and channels and is confident in gaining competitive advantages.

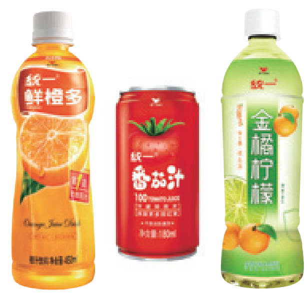
Tea Drinks

According to ACNielsen, tea drinks market sustained a two-digit growth. The Group's tea drinks continued to grow faster than peers with revenue for the year hitting another new height. Under the heavier pressure of inflation, sharp rises in prices of major raw materials such as PET chips and white sugar, fierce market competition, price-cutting and common high winning rate "One More" promotion activities, the tea drinks business responded actively and rationalised the profit composition of its channels, furthered its market penetration in key regions, counties and towns, and further expanded the markets in which it has relative advantages with the Ice Tea and Green Tea as main products and Ice Jasmine as supplement.

In 2011, the tea drinks business will continue to implement the operating strategy of focus and differentiation in respect of the tea drinks and spare no effort to minimise the distance towards its competitors, so as to highlight its brand value and establish market position. Improvement in results will be the top priority of its marketing plan. It will establish the clear and distinct value of each brand and launch mid to high priced quality products to achieve a healthy cycle of brand image improvement.

Juice Drinks

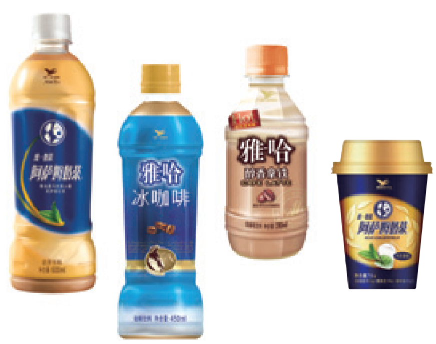
According to ACNielsen, juice market showed an upward development trend and diluted juice still maintained a double-digit growth, reflecting huge consumption demand. The performance of the Group's juice business outpaced the growth of the industry.



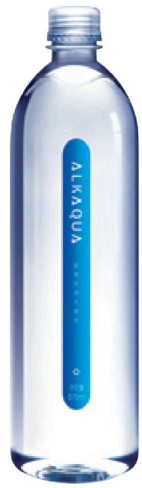
Under the product diversification policy, the Group's juice put great effort in nourishing the popular "non-orange" flavours. During the period, "Grape" and "Peach" flavours showed good performance and the response from consumers of regional flavours Kumquat and Lemon Mix Drink（金橘檸檬）and Hawthorn and Syrup of Plum Drink（山楂酸梅） in the regions where they were launched were better than expected. Looking into 2011, leveraging on the established brand advantage of the Group's "More" brand orange juice and coupled with the multi-taste diversification strategy, we believe the Group's juice drinks will continue to extend its channel network and expand its rural markets, aiming at substantial improvement of results and rapid enhancement of market position.

Others

According to the marketing research of ACNielsen, milk tea and coffee products recorded a growth rate of over 15%. During the period, the results of the Group's milk tea and ready-to-drink coffee outweighed the average growth of the industry. Such results was outstanding among the operations of the Group's dairy drinks business in 2010. With continuous customer fostering and the excellent texture of Assam Milk Tea, the Group's milk tea regained its top position in the milk tea market. The Group's milk tea attained a market share of 47.5%, 14 percentage points higher than the brand that ranked second. The appeal of our milk tea products was still increasing. The operation of the Group's ready-to-drink coffee was also effective, occupying the third place in the ready-to-drink coffee market with a market share of over 15%. With good-tasting products and continuous promotion, we believe there will still be large room for growth.



Bottled water is typically considered as a regular drink as high quality water became scarce in the PRC. Targeted at mid to high priced quality bottled water, the Group's water business engaged in the provision of quality drinking water through bottling the water from Bama longevity village in Guangxi, following the successful launch of ALKAQUA water. In the future, the water business will focus on quality bottled water to satisfy consumers' health need.



While still focusing on the principle businesses, the Group strategically set foot in various markets with different foci. The Group focused on the refrigeration business in the southern China market and the operations of the Group's Sunshine Soy Milk（統一陽光豆奶）and the Group's Pudding in the eastern China market. We believe the diversified operating strategies will lead the Group to a better tomorrow.

We believe the vast PRC market provides unlimited business opportunities and in this fast growing consumption market, we will be prosperous. We hold the belief that opportunities abound amid challenges and we will always bear our goals in mind and tomorrow will not be far away.

RESEARCH AND DEVELOPMENT AND QUALITY CONTROL

The research and development centre of the Group has aimed to develop delicious and healthy products, strengthen our quality control, establish industry leading technology and continue to satisfy customers' needs.

Under the immense cost pressure coming from the rising international food and material prices in 2010, the research and development centre of the Group has, in addition to the development of products with high quality-to-price ratio, put much effort into improving our research and development technology as well as understanding the characteristics of raw materials so as to develop the most suitable formula. The introduction of delicious products to the consumers will at the same time provide more income sources to the Group for its sustainable development.

Development of new products

In respect of the development of new products, the highlights in 2010 were the creation of products incorporating regional characteristics, allowing instant enjoyment and meeting day-by-day wants. For example, the instant noodles business has developed Fermented Vegetable and Fish Noodle（酸菜魚麵）and Lao Tan Fermented Vegetable Stir-fried Noodle（老壇酸菜拌麵）that feature southwestern Chinese style; Noodles in fermented black bean stir-fried（豆豉拌麵）, a product that use household Lao Gan Ma chili sauce; and the exotic "Soup Expert's Borscht Soup（湯達人羅宋湯）" flavour. Such products have widened the choices in the market and introduced instant noodles with intimate or wanted flavours. In accordance with the market demand for local southern and northern Chinese flavours and aiming at offering the most-wanted instant tea, the drinks business has also launched products such as Kumquat Lemon Mix Drink（金橘檸檬), Hawthorn and Syrup of Plum Drink（山楂酸梅湯）and Crunchy Fruit Tea（爽快果茶）as though fresh and delicious tea had been sealed in cans instantly in order to give umers an immediate fresh and cool delight. In the second half of 2010, three hot drinks, namely the Rich and Aromatic Latte（醇香拿鐵咖啡）, Oolong Tea of Wuyi Mountain（武夷山烏龍茶）and Assam Milk Tea, were introduced as new product lines of the Group. With homey care in their designs and guaranteed rich and freshening flavours, these hot drinks offered a warm and heartfelt care to consumers in the severe winter.

Management Discussion & Analysis

Future research and development effort will be directed towards new and differentiated products with Chinese flavours. The research institute of the Group in mainland China will help optimise the Group's interests by ensuring that the food and beverages enjoyed by our customers will be of high quality, safe and delicious.

Quality assurance and optimisation of existing products

In response to market changes and consumers' need, the Group continued to put much emphasis on existing products through the inspection of incoming raw materials, online quality control, periodic factory and on-shelf sample testing and inspection of distribution channels. In addition, the Group will continue to improve and perfect its production and testing techniques in order to ensure product safety by improving our quality control standard through importing advanced equipment and technology regularly from abroad and conducting product and technological research and development with international players.

13 subordinate instant noodles and beverage production enterprises of the Group currently maintain the ISO9001 international quality management system and HACCP food safety and management certification. In 2010, the Group conducted food safety tests in respect of pesticide residues, artificial pigment bromate, heavy metal, trichloropropanol, Sudan I, Rose Red, transgene, HCN, nitrite, melamine, sodium thiocyanate and aldehyde, took timely remedies to correct potential non-compliances and evaluated the safety of our products. Furthermore, the food testing laboratory established by the Group has continuously passed the annual expert reviews conducted by China National Accreditation Service for Conformity Assessment since 2005. Its testing capability reaches advance standards in testing pesticide residues, preservatives, artificial colorants and artificial pigment bromate for food safety, and in analyzing heavy metal residues, amino acids, grease stability and food content of our products. The validity of our test reports are recognised by over 44 major economies, countries, and regions. This laboratory provides professional and authoritative testing services to the Group so as to ensure the safety and quality of the Group's products.

In the future, we will concentrate on enhancing the flavour of our products through continually improving our instant noodles, dairy drinks, cakes and refrigeration systems and perfecting the quality control standards of major raw materials.

INTERNAL CONTROL

The internal audit unit of the Company, which was subordinated to the Board, formulates the internal audit plan of the Group based on the strategic objectives analysis, business flow analysis, risk assessment and performance evaluation and the self-inspection mechanism with comprehensive risk management functions under the authority of the Board and the guidance of the audit committee. The objectives of the internal audit plan are to achieve the four major goals of the Company – strategy, operation, reporting and compliance, by effectively minimising the exposures, enhancing internal control and improving operating efficiency of the Company.

As at 31 December 2010, the members of the audit unit of the Company continued to perform their audit duties based on the internal control mechanism for comprehensive risk management according to the annual audit plan and monthly plans approved by the Board. Such audit work comprised financial, operation, statutory compliance and risk management, the audit on all group levels and functions of the Company and all of its subsidiaries and the examination of the effectiveness for the human cost of the Company. Besides various audit and planning work based on various degrees of risk exposures, the audit unit also carried out computer-aided internal audits to ensure the quality of the audit and the completion of the audit as scheduled.

FINANCIAL POSITION

As at 31 December 2010, the Group had a total of cash and cash equivalents of approximately RMB2,427.4 million (2009: approximately RMB3,359.8 million). Current assets amounted to approximately RMB4,401.7 million (2009: approximately RMB4,492.6 million) and current liabilities were approximately RMB2,903.9 million (2009: approximately RMB1,679.6 million). Contingent liabilities were approximately RMB199.0 million (2009: approximately RMB206.8 million). With net current assets of approximately RMB1,497.8 million (2009: approximately RMB2,813.0 million), the Group maintained strong financial liquidity. As at 31 December 2010, the Group had bank borrowings of approximately RMB165.6 million which were repayable within one year (2009: nil).

The gearing ratios of the Group at 31 December of 2010 and 2009 were as follows:

	2010	2009
	RMB'000	RMB'000
Total borrowings	**2,841,265**	1,649,187
Less: cash and cash equivalents	**(2,427,362)**	(3,359,788)
Net debt	**413,903**	(1,710,601)
Total equity	**6,659,537**	6,453,826
Total capital	**7,073,440**	4,743,225
Gearing ratio (negative)	**5.85%**	(36.06%)

(Note: Total borrowings include borrowings, trade and bill payables, other payables and accruals and other long-term liabilities as shown in the consolidated balance sheet. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.)

TREASURY POLICY

The Group has consistently followed its principles of financial prudence. Following the international financial crisis, domestic demand has become an increasingly significant component of economic growth in the PRC. By taking advantage of such favorable condition, the Group actively expanded its foothold in the domestic market, as well as modestly increased its capital expenditure for enhancing its infrastructure and operations, so as to secure a gradual and solid development. During the year under review, the Group saw a satisfactory progress in its product mix optimisation with an encouraging growth in the total revenue for the year which broke through RMB10 billion for the first time. Despite the fact that our performance for the year under review was hindered by the lowered gross profit margin due to the rising raw materials prices in domestic and international markets, the Group's overall financial position remained sound with a low gearing ratio and net cash position. The Group financed its operation and business development primarily with a combination of internally generated resources and funds raised through the listing in 2007. The borrowings of the Group were utilised by its subsidiaries and were interest-bearing loans. In light of the potential currency risks, most of the Group's bank deposits were denominated in Renminbi

HUMAN RESOURCES AND BENEFITS

As at 31 December 2010, the Group had 24,833 employees. Adhering to the principle of "recruiting on the basis of intellectual ability", the Group develops a comprehensive system of human resources focusing on hiring, training and retaining talents by internal promotion and external recruitment as well as enhanced training of staff, with a view to gather a pool of people of high calibre for the Group's mid- to long-term growth.

In 2011, the Group will further enhance its human resources function and continue to promote the pay scheme by position-points. Together with a flexible motivation system which aims at retaining only the best brains, the Group will ensure the provision of training to core staff and the supply of talents for major positions. Given the surge in labour costs, the future core strategy of the Group regarding human resources is to improve the average productivity of our staff in order to cope with the requirements of the Group's rapid growth.

Report of the Directors

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group comprise the manufacturing and sales of beverages and instant noodles in the PRC. The principal activities of the subsidiaries are set out in Note 38 to the financial statements.

An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 36 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB4.326 cents per share and no special dividend for the financial year ended 31 December 2010. Details are set out in Note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 19 to the financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in Note 20 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's distributable reserves calculated under Companies Law of the Cayman Islands comprise the share premium, contributed surplus, fair value reserves and retained earnings totalling approximately RMB4,519,580,000.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report.

SHORT-TERM LOANS

Particulars of the short-term loans of the Group are set out in Note 24 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately RMB3,694,900 (2009: RMB3,000,000).

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Lo Chih-Hsien *(Chairman)*
Lin Wu-Chung *(President)*

Non-executive Directors

Kao Chin-Yen
Lin Chang-Sheng
Lin Lung-Yi
Su Tsung-Ming

Independent Non-executive Directors

Chen Sun-Te
Fan Ren-Da, Anthony
Yang Ing-Wuu
Lo Peter
Mr. Hwang Jenn-Tai (resigned on 9 August 2010)

In accordance with Article 130 of the articles of association of the Company, Mr. Lo Chih-Hsien, Mr. Lin Chang-Sheng, Mr. Yang Ing-Wuu and Mr. Lo Peter will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographies of the Directors are set out on pages 21 to 23 of the annual report.

None of the directors who are being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares of associated corporations

	Number of shares				
Name of corporation and name of its relevant shareholder	Personal Interest	Interest of child under 18 or spouse	Corporate Interest	Total	Percentage of shareholding as at 31 December 2009
Uni-President Enterprises Corporation					
Kao Chin-Yen	97,051	157,770	–	254,821	0.01%
Lin Chang-Sheng	37,908,647	2,585,659	–	40,494,306	0.94%
Lin Lung-Yi	1,406,317	1,120,997	–	2,527,314	0.06%
Lo Chih-Hsien	3,121,631	69,966,492	–	73,088,123	1.70%
Lin Wu-Chung	831	–	–	831	0.00%

Save as disclosed above, as at 31 December 2010, none of the directors nor the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Each of the directors of the Company has entered into a service contract with the Company for a term of three years and may be re-elected upon expiry of their term. Such service contracts which are going to expire this year will be renewed in accordance with the Listing Rules and the articles of association of the Company.

Except for the service contracts with the Company, during the year ended 31 December 2010, no other contracts of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of the annual report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Cayman President Holdings Ltd.	Beneficial owner	2,645,090,000	73.49%
Uni-President Enterprises Corporation(1)	Interest of a controlled corporation	2,645,090,000	73.49%
T. Rowe Price Associates, Inc. and its affiliates	Investment manager	214,237,014	5.95%

Note:

(1) Cayman President Holdings Ltd. is a direct wholly-owned subsidiary of Uni-President Enterprises Corporation and therefore, Uni-President Enterprises Corporation is deemed or taken to be interested in the 2,645,090,000 shares which are beneficially owned by Cayman President Holdings Ltd. for the purposes of the SFO.

Save as disclosed above, as at 31 December 2010, no other person had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

Uni-President Enterprises Corporation ("Uni-President") is the holding company of Cayman President Holdings Ltd. ("Cayman President") which in turn is a substantial shareholder of the Company. As Cayman President is a connected person of the Company and Uni-President is an associate of Cayman President, Uni-President is also a connected person of the Company.

Details of the continuing connected transactions entered into by the Group with Uni-President and its associates during the year and which are not exempt under Rule 14A.33 of the Listing Rules are set out below:

FRAMEWORK SALES AGREEMENT

On 23 November 2007, the Company entered into a framework sales agreement with Uni-President pursuant to which the Company agreed to sell beverage and instant noodle products and bakery products to Uni-President and its subsidiaries (excluding the Company and its subsidiaries) (the "Uni-President Group") and its associates at prices no less than the market price at which the Company sell to independent third parties (the "2007 Framework Sales Agreement").

The 2007 Framework Sales Agreement has expired on 31 December 2009. On 13 November 2009, the Company entered into a new framework sales agreement with Uni-President for a term of three years commencing from 1 January 2010 and expiring on 31 December 2012 on substantially the same terms as the 2007 Framework Sales Agreement pursuant to which the Company agrees to sell and procure the sale of, on a non-exclusive basis, certain beverage and instant noodle products and bakery products to Uni-President Group and its associates (the "New Framework Sales Agreement").

FRAMEWORK PURCHASE AGREEMENT

On 23 November 2007, the Company entered into a framework purchase agreement with Uni-President pursuant to which the Company agreed to purchase raw materials and other ingredients from Uni-President Group and its associates (the "2007 Framework Purchase Agreement"). Under the 2007 Framework Purchase Agreement, the price of the materials supplied to the Company must not exceed market price.

The 2007 Framework Purchase Agreement has expired on 31 December 2009. On 13 November 2009, the Company entered into a new framework purchase agreement with Uni-President for a term of three years commencing from 1 January 2010 and expiring on 31 December 2012 on substantially the same terms as the 2007 Framework Purchase Agreement pursuant to which the Company agrees to purchase and procure the purchase of, on a non-exclusive basis, certain raw materials, packaging materials and commercial goods from Uni-President Group and its associates (the "New Framework Purchase Agreement").

DISTRIBUTION AGREEMENT

On 15 July 2009, 統一（上海）商貿有限公司 (President (Shanghai) Trading Co., Ltd.), an indirect wholly-owned subsidiary of the Company, entered into a distribution agreement with Uni-President (the "Distribution Agreement") pursuant to which Uni-President appointed 統一（上海）商貿有限公司 (President (Shanghai) Trading Co., Ltd.) as its exclusive distributor to distribute all the instant noodle products under the trademark of "滿漢大餐" in the PRC with effect from 15 July 2009 to 31 December 2011. The price for each order under the Distribution Agreement shall be determined based on production cost plus a margin and disbursements and other expenses incurred and shall not be higher than the market price.

The Company had obtained a waiver from the Stock Exchange from the announcement and independent shareholders' approval requirements in respect of the transactions under the 2007 Framework Sales Agreement and the 2007 Framework Purchase Agreement. Such waivers expired on 31 December 2009. The continuing connected transactions under the Distribution Agreement are subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under Chapter 14A of the Listing Rules. The maximum aggregate annual value ("cap") permitted by the Stock Exchange or proposed by the Company (as the case may be) and the aggregate annual value actually occurred for each of the above mentioned continuing connected transactions for the year ended 31 December 2010 are set out below:

Transaction	**Actual amount** (RMB million)	**Annual cap** (RMB million)
Framework Sales Agreement		
Total sales value	63	66
Framework Purchase Agreement		
Total purchase value	623	631
Distribution Agreement		
Total value of the products distributed	0	42

In the opinion of the independent non-executive directors of the Company, the above transactions were carried out in the ordinary and usual course of business of the Group, on normal commercial terms and were in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Main Board Listing Rules 14A.38.

The auditor of the Company has confirmed that nothing has come to their attention that causes them believe the above transactions were not:

- been approved by the Board;
- in accordance with the pricing policies of the Group;
- entered into in accordance with the terms of the relevant agreements governing such transactions; and
- not exceeded their respective caps as disclosed in the Company's announcements dated 15 July 2009 and 13 November 2009 respectively.

NON-COMPETITION CONFIRMATION

The Company has received written confirmation from Uni-President confirming that Uni-President and its subsidiaries have not breached the terms of the non-competition deed entered between the Company and Uni-President on 23 November 2007.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregated sales from the largest five customers amounted for less than 30% of the Group's total sales, and the purchases from the largest supplier and the aggregated purchases from the largest five suppliers accounted for 9.1% and 31.7% of the Group's total purchases.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") pursuant to a written resolution passed on 23 November 2007. The purpose of the Scheme is to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to employees (whether full-time or part-time), directors or non-executive directors (including independent non-executive directors) of any member of the Group.

The total number of shares which may be issued under the Scheme must not exceed 352,681,000 shares, representing approximately 10% of the total number of shares issued by the Company as at 17 December 2007 (ie. the listing date of the Company's shares on the Stock Exchange). Unless approved by shareholders of the Company in the manner as set out in the Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at the date of grant of the option.

The exercise price shall be the price determined by the Board being the higher of: (a) the average closing price of the shares for the five business days immediately preceding the date of grant of the option as stated in the Stock Exchange's daily quotation sheets; (b) the closing price of the shares as stated on the Stock Exchange's daily quotation sheet of the shares on the date of grant of the option; or (c) the nominal value of the shares. No amount will be payable for the acceptance of an option.

During the year, no share options has been granted under the Scheme. The Scheme will remain in force until 16 December 2017.

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of the annual report, the Company has maintained the prescribed public float under the Listing Rules.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

In 2007, the Company completed its global offering. Through the initial public offering, including the exercise of an over-allotment option, the Group issued 599,445,000 shares at an offer price of HK$4.22 per share, raising approximately HK$2,405 million of net proceeds. The proceeds are being used in accordance with the purposes disclosed in the prospectus of the Company dated 4 December 2007.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2010.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, shall offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Lo Chih-Hsien
Chairman

Tainan, Taiwan
29 March 2011

Directors' Profile

Executive Directors

Mr. LO Chih-Hsien (alias LO, Alex C.)（羅智先）, aged 54, is our chairman and executive Director. Mr. Lo joined our Group in September 1998 and is responsible for overall strategic planning and management of our Group. Except for Sichuan Hongtong Commercial Trading Co., Ltd.（四川弘通商貿有限責任公司）, he is currently a director of each of our PRC subsidiaries. He has over 23 years of experience in the food and beverage industry. Mr. Lo is a director of President Chain Store Corporation（統一超商股份有限公司）, Tait Marketing & Distribution Co., Ltd.（德記洋行股份有限公司）and Ton Yi Industrial Corp.（統一實業股份有限公司）, all of which are listed on the Taiwan Stock Exchange. He is also the general manager of Uni-President Enterprises Corporation（統一企業股份有限公司）and a director of 53 members of the Uni-President Group (excluding our Group). Mr. Lo was awarded a master's degree in business administration from the University of California, Los Angeles, U.S.A. in 1993. He is the son-in-law of Mr. Kao Chin-Yen.

Mr. LIN Wu-Chung（林武忠）, aged 59, is our president and executive Director. Mr. Lin joined our Group in August 1995 and is primarily responsible for business management. He joined the Uni-President Group in January 1978 and has over 30 years of experience in beverage and instant noodle businesses. He was the head of Uni-President Enterprises Corporation's beverages department from 1991 to July 1995. He has been appointed as a director of Uni-President Enterprises (China) Investments Ltd.（統一企業（中國）投資有限公司）since 2004 and the general manager of Un-President Enterprises (China) Investments Ltd. since 2005. He was also appointed as the general manager of Tong Ren Corp. Limited（統仁實業股份有限公司）in 2007. He is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries except Champ Green (Shanghai) Consulting Co., Ltd. He is also a director of Heilongjiang Wondersun Dairy Co., Ltd.（黑龍江省完 達山乳業股份有限公司）and Yantai North Andre Juice Co., Ltd.（煙台北方安德利果汁股份有限公司）. Mr. Lin graduated from Tamkang University with a bachelor's degree in international trade in 1975.

Non-Executive Directors

Mr. KAO Chin-Yen（高清愿）, aged 83, is our non executive Director. Mr. Kao joined our Group in August 2007. He joined the Uni-President Group in July 1967. With over 43 years of experience in the food and beverage industry, Mr. Kao is currently the chairman of Uni-President Enterprises Corporation, President Chain Store Corporation, Ton Yi Industrial Corp. and TTET Union Corporation（大統益股份有限公司）, all of which are listed on the Taiwan Stock Exchange. He is also a director of the remaining 13 members of Uni-President Group (excluding our Group). He obtained a doctorate in management with honours from National Cheng Kung University in 2001. Mr. Kao Chin-Yen is the father-in-law of Mr. Lo Chih-Hsien.

Mr. LIN Chang-Sheng（林蒼生）, aged 68, is our non-executive Director. Mr. Lin joined the Uni-President Group in January 1968 and is currently the CEO of Uni-President Group and a director of 62 members of the Uni-President Group (excluding our Group). He has over 38 years of experience in the food and beverage industry. Mr. Lin is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries. He is also a director of President Chain Store Corporation, Ton Yi Industrial Corp., TTET Union Corporation, and Uni-President Enterprise Corporation, all of which are listed on the Taiwan Stock Exchange. Mr. Lin graduated from National Cheng Kung University with a bachelor's degree in electronic engineering.

Directors' Profile

Mr. LIN Lung-Yi (林隆義), aged 67, is our non-executive Director. Mr. Lin joined our Group in December 1991. He is currently a director of Uni-President Enterprises (China) Investments Ltd., a subsidiary of the Company. He joined the Uni-President Group in March 1971 and has over 39 years of experience in financial and accounting management. Mr. Lin is currently the Vice CEO of Uni-President Group and a director of 28 members of the Uni-President Group (excluding our Group). He is also a director of President Chain Store Corporation and Ton Yi Industrial Corp., all of which are listed on the Taiwan Stock Exchange. Mr. Lin graduated from National Cheng Kung University with a bachelor's degree in accounting and statistics.

Mr. SU Tsung-Ming (蘇崇銘), aged 53, is our non-executive Director. Mr. Su joined our Group in August 2007. He joined the Uni-President Group in August 2000, and is currently the vice-president of Uni-President and a director of 22 members of the Uni-President Group (excluding our Group). Mr. Su is currently a director of President Chain Store Corporation, which is listed on the Taiwan Stock Exchange. He has over 25 years of experience in banking and financial management. Before joining the Uni-President Group, he was the vice-president of the Taipei branch of Citibank. Mr. Su was the financial specialist of Seibu Department Store in Tokyo, Japan in 1988 and the senior specialist of Nortel Networks Asia/Pacific in Tokyo in 1990. Mr. Su holds a master of business administration degree from the University of Iowa.

Independent Non-executive Directors

Mr. CHEN Sun-Te (陳聖德), aged 56, was appointed as our independent non-executive Director in August 2007. He has over 26 years of experience in the banking and financial industry. He is currently the president of North Asia and Greater China of Fullerton Financial Holdings Pte. Ltd. and an independent director of China Shenhua Group Co., Ltd. Prior to that, Mr. Chen served as the president of Chinatrust Financial Holdings Co., Ltd. in 2005, the chairman of Chinatrust Securities Co., Ltd. between 2003 and 2005, the country officer and country head of the corporate bank in Taiwan of Citibank between 2001 and 2003, and the regional head of financial market in Asia Pacific of Citibank between 1998 and 2001. He gained extensive financial management experience from various positions held with Citibank and Citigroup and has acquired general knowledge about the food and beverage industry through dealing with clients from that industry. Mr. Chen holds a master's degree in business administration from University of Missouri and a bachelor's degree in political science from National Chengchi University.

Mr. FAN Ren-Da, Anthony (范仁達), aged 50, was appointed as our independent non-executive Director in August 2007. He holds a master's degree in business administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of Citic Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Renhe Commercial Holdings Company Limited (Stock Code: 1387), Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Shanghai Industrial Urban Development Group Limited (Stock Code: 563), all of which are listed on the Main Board of the Stock Exchange.

Mr. YANG Ing-Wuu（楊英武）, aged 66, was appointed as our independent non-executive Director in November 2007. He holds a bachelor's and a master's degree in Law from National Chengchi University. Mr. Yang is currently the secretary general of Taiwan Vegetable Oil Manufacturers Association（台灣區植物油製煉工業同業公會）and the executive counsel of Guangda Cereals Joint Stock Limited Company（光大穀物股份有限公司）. Prior to this, Mr. Yang was the executive director of Taiwan Soya Bean Importers Joint Committee（台灣區進口黃豆聯合工作委員會）, the chairman of the board of Huanguo International Trade Company（環國國際貿易公司）, the secretary general of General Chamber of Commerce of Taiwan, the secretary general of China Food Industry Competitiveness Enhancement Association（中華食品產業競爭力策進會）and a part-time lecturer at Chihlee Institute of Commerce and Shih Hsin University. Mr. Yang has over 36 years of experience in the food industry.

Mr. LO Peter（路嘉星）, aged 55, was appointed as our independent non-executive Director in November 2007. He is currently a director of China Enterprise Capital Limited and the chairman and an executive director of Bio-Dynamic Group Limited (formerly known as Wealthmark International (Holdings) Limited), a company listed on the Stock Exchange. Mr. Lo is also an independent non-executive director of Ajisen (China) Holdings Limited. From February 2005 to May 2008, he was an independent non-executive director of Lonking Holdings Limited. Both of the two aforesaid companies are listed on the Hong Kong Stock Exchange. Mr. Lo was the chief executive officer and an executive director of Harbin Brewery Group Limited (a company engaging in the production and distribution of beer) from 1998 to 2004. Mr. Lo holds a bachelor's degree in mathematical economics and econometrics from the London School of Economics and Political Science and is a member of the Committee of the Chinese People's Political Consultative Conference of Harbin City.

Senior Management's Profile

Senior Management

Mr. LIN Wu-Chung（林武忠）, aged 59, is our president and executive Director. Mr. Lin joined our Group in August 1995 and is primarily responsible for business management. He joined the Uni-President Group in January 1978 and has over 30 years of experience in beverage and instant noodle businesses. He was a head of Uni-President Enterprises Corporation's beverages department from 1991 to July 1995. He has been appointed as a director of Uni-President Enterprises (China) Investments Ltd. since 2004 and the general manager of President Enterprises (China) Investments, Ltd. since 2005. He was also appointed as the general manager of Tong Ren Corp. Limited in 2007. He is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries except Champ Green (Shanghai) Consulting Co., Ltd. He is also a director of Heilongjiang Wondersun Dairy. Co., Ltd. and Yantai North Andre Juice Co., Ltd. Mr. Lin graduated from Tamkang University with a bachelor's degree in international trade in 1975.

Mr. LIU Xin-Hua（劉新華）, aged 41, joined our Group in July 1994. He acted as the head of food department of our Group in August 2008. He has 17 years of experience in the food industry and holds a master's degree in business administration from the University of Electronic Science and Technology（電子科技大學）.

Mr. YANG Xiang-Dong（楊向東）, aged 42, joined Guangzhou President Enterprises Corp.（廣州統一企業有限公司）, a subsidiary of our Group, in February 1996. He worked in the regional sales and marketing departments of Guangzhou President Enterprises Corp. and Kunshan President Enterprises Food Co., Ltd.（昆山統一企業食品有限公司）, subsidiaries of our Group, up till November 2010, and was re-designated as General Manager of Tea Business at the headquarters of our Group in December 2010. He has more than 15 years of experience in the food and beverage industry. He holds a bachelor's degree in economics from Dongbei University of Finance and Economics.

Mr. LIU Chi-Tai（劉啟台）, aged 49, joined our Group in August 2008. He acted as the head of operation in southwestern region from August 2008 to July 2009, responsible for overseeing the instant noodles and dairy drink businesses, and as the head of food business in South China region from July 2009 to December 2010. Since December 2010, he has been re-designated as the general manager of the head office of juice business in our Shanghai headquarters. He has more than 22 years of experience in the food and beverage industry. He graduated from 中原理工學院.

Mr. CHEN Chia-Heng（陳嘉珩）, aged 53, joined our Group in June 2003. He was the head of our instant noodle products business from June 2003 to September 2006 and has been the head of combined drink products business of our Group since September 2006. He joined Uni-President Group in 1982 and has over 28 years of experience in the food and beverage industry. Mr. Chen holds a master's degree in business administration from National Cheng Kung University.

Mr. ZHAO Nianen（趙念恩）, aged 34, joined our Group in April 1999. He had acted as the head of marketing, the head of operation and the head of dairy drink department of Kunshan President Enterprises Food Co., Ltd. from March 2000 to October 2006, and has been appointed as the head of bottled water department of our Group since October 2006. He has more than 12 years of experience in the food and beverage industry and holds a bachelor's degree in economics from Shanghai Maritime University.

Ms. HSIEH Ling-Ling（謝玲玲）, aged 48, is the head of accounting and finance and the assistant to the general manager of Uni-President Enterprises (China) Investments Co., Ltd. Ms. Hsieh joined our Group in December 2002 and is responsible for general financial management and banking relationship maintenance. She joined the Uni-President Group in 1986 and has 22 years of experience in financial management. She was redesignated to our Group in December 2002. Since 2009, save for the Uni-President Enterprises (China) Investments Ltd., Harbin President Enterprises Co., Ltd.（哈爾濱統一企業有限公司）and Sichuan Hongtong Commercial Trading Co., Ltd., she has been a director of each of our PRC subsidiaries. She is also a director of Heilongjiang Wondersun Dairy Co., Ltd. She holds a bachelor's degree in business administration from National Chung Hsing University.

Company Secretary

Ms. MA Sau Kuen Gloria, aged 52, is the company secretary of the Company.

Ms. Ma is a director and head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, the 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.

Note: Mr. Ngai Wai Fung has resigned as the qualified accountant, company secretary, authorised representative of the Company under the Listing Rules and authorized representative of the Company under Hong Kong Companies Ordinance with effect from 19 November 2010.

Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance and understands good corporate governance is crucial to enhancing investors' confidence in the Company. The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout 2010. The following summarizes the corporate governance principles and practices adopted by the Company.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") consists of two executive directors, four non-executive directors and five independent non-executive directors. The composition of the Board is as follows:

Executive Directors

Mr. Lo Chih-Hsien *(Chairman)*
Mr. Lin Wu-Chung *(President)*

Non-executive Directors

Mr. Kao Chin-Yen
Mr. Lin Chang-Sheng
Mr. Lin Lung-Yi
Mr. Su Tsung-Ming

Independent Non-executive Directors

Mr. Chen Sun-Te
Mr. Fan Ren-Da, Anthony
Mr. Yang Ing-Wuu
Mr. Peter Lo
Mr. Hwang Jenn-Tai (resigned on 9 August 2010)

The biographies of the directors are set out on pages 21 to 23 of the annual report.

The Company has received the annual confirmation on independence from each of the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules and the Company considers each independent non-executive director as independent under the aforesaid Rule 3.13.

The term of office of directors (including independent non-executive directors) is three years. In accordance with the articles of association of the Company, at each annual general meeting of the Company, one third of the directors for the time being or, if their number is not three or a multiple of three, the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The directors remuneration are determined with reference to their duties, responsibilities and experience, and to the prevailing market conditions.

The Board is responsible for the formulation of long term business objectives, strategies and plans, and to monitor and control the operating and financial performance of the Group. There are currently four committees established under the Board, being the audit committee, the nomination committee, the remuneration committee and the investment, strategy and development committee. Each committee has its terms of reference and reports to the Board regularly.

The Company does not have a chief executive officer, whose role is instead performed by the President. The roles of the Chairman of the Board and President of the Company are performed by separate persons. The Chairman of the Board is responsible for ensuring that the directors perform their duties properly and ensuring discussions on material matters take place on a timely basis. The day-to-day operations and implementation of business objectives are delegated to the President. The management is delegated with power and authority to carry out daily operations and duties.

In 2010, the Company held seven board meetings. The attendance record of each director at the board meetings in 2010 is set out below:

Member of the Board	Number of meetings attended
Executive Directors	
Lo Chih-Hsien *(Chairman)*	7
Lin Wu-Chung *(President)*	7
Non-executive Directors	
Kao Chin-Yen	1
Lin Chang-Sheng	5
Lin Lung-Yi	5
Su Tsung-Ming	7
Independent Non-executive Directors	
Chen Sun-Te	6
Fan Ren-Da, Anthony	7
Yang Ing-Wuu	7
Peter Lo	7
Hwang Jenn-Tai (resigned on 9 August 2010)	0

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards as set out in the Model Code throughout 2010.

REMUNERATION COMMITTEE

The remuneration committee comprises Mr. Chen Sun-Te and Mr. Yang Ing-Wuu, who are both independent non-executive directors, and Mr. Lin Chang-Sheng, who is a non-executive director. The remuneration committee is chaired by Mr. Chen Sun-Te.

The primary functions of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of the directors and senior management and evaluate and make recommendations on other employee benefit arrangement. The terms of reference of the remuneration committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The remuneration committee held two meetings in 2010 to conduct an annual review of the remuneration policy for all directors and senior management of the Company. The attendance record of each member at the remuneration committee meetings in 2010 is set out below:

Member of the remuneration committee	Number of meetings attended
Chen Sun-Te *(Chairman)*	2
Yang Ing-Wuu	0
Lin Chang-Sheng	2
Hwang Jenn-Tai (resigned on 9 August 2010)	1

NOMINATION COMMITTEE

The nomination committee comprises Mr. Fan Ren-Da, Anthony and Mr. Peter Lo, who are both independent non-executive directors, and Mr. Lo Chih-Hsien, who is an executive director. The nomination committee is chaired by Mr. Fan Ren-Da, Anthony.

The primary function of the nomination committee is to make recommendations to the Board on the appointment of directors and the management of the Board succession. The terms of reference of the nomination committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The nomination committee held one meeting in 2010 to conduct an annual review of the arrangement of the committee meetings and staff work plan for 2010. The attendance record of each member at the nomination committee meeting in 2010 is set out below:

Member of the nomination committee	Number of meetings attended
Fan Ren-Da, Anthony *(Chairman)*	1
Peter Lo	1
Lo Chih-Hsien	1
Hwang Jenn-Tai (resigned on 9 August 2010)	0

INVESTMENT, STRATEGY AND DEVELOPMENT COMMITTEE

The Board established an investment, strategy and development committee on 13 October 2008 comprising Mr. Lo Chih-Hsien, Mr. Lin Wu-Chung, who are both executive directors, Mr. Lin Chang-Sheng, who is a non-executive director, and Mr. Chen Sun-Te, Mr. Yang Ing-Wuu and Mr. Peter Lo, who are independent non-executive directors. The investment, strategy and development committee is chaired by Mr. Lo Chih-Hsien.

The primary functions of the investment, strategy and development committee are to review the investment and development plan and policies of the Group and to review investment proposals and make recommendations to the Board. The terms of reference of the investment, strategy and development committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The investment, strategy and development committee held five meetings in 2010. The attendance record of each member at the investment, strategy and development committee meeting is set out below:

Member of the investment, strategy and development committee	Number of meetings attended
Lo Chih-Hsien *(Chairman)*	5
Lin Wu-Chung	5
Lin Chang-Sheng	4
Chen Sun-Te	5
Yang Ing-Wuu	5
Peter Lo	5

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2010.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the directors. The terms of reference of the audit committee are available for inspection upon request at the principal office of the Company in Hong Kong.

The audit committee held three meetings in 2010 to review the annual and interim financial statements and the effectiveness of the internal control practices of the Group. The attendance record of each member at the audit committee meetings in 2010 is set out below:

Member of the audit committee	Number of meetings attended
Fan Ren-Da, Anthony *(Chairman)*	3
Chen Sun-Te	3
Lin Lung-Yi	2
Peter Lo	3

AUDITORS' REMUNERATION

PricewaterhouseCoopers is the auditor of the Company. During 2010, the Group paid to the auditor RMB4.95 million in total for 2010 statutory audit services and 2010 interim review services of the Company.

The Board and the audit committee propose to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year 2011, which is subject to shareholders approval at the forthcoming annual general meeting.

ACCOUNTABILITY

The Board acknowledges its responsibility for overseeing the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. A statement from the auditors about their reporting responsibilities is set out on page 31 of the annual report. In preparing the financial statements for the year ended 31 December 2010, the directors have selected suitable accounting policies and applied them consistently and have made prudent and reasonable judgements and estimates and have prepared the financial statements on a going concern basis.

INTERNAL CONTROL

The Board is responsible for maintaining sound internal controls to safeguard the Group's assets and shareholders' investment as well as to ensure that proper accounting records are maintained, appropriate legislation and regulations are complied with. During 2010, the Board has conducted review on the effectiveness of the Group's internal control system, including, among other things, financial, operational and compliance controls and risk management functions.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF UNI-PRESIDENT CHINA HOLDINGS LTD.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Uni-President China Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 104, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement 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 and to report our opinion solely to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in consolidated the 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.

Independent Auditor's Report

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Leasehold land	6	**255,505**	184,985
Property, plant and equipment	7	**3,120,990**	2,174,043
Intangible assets	8	**10,705**	12,878
Interests in jointly controlled entities	10	**88,337**	446,640
Interests in associates	11	**740,121**	290,537
Available-for-sale financial assets	12	**532,828**	447,608
Deferred income tax assets	13	**130,147**	104,521
Other non-current receivables	16	**300,383**	–
		5,179,016	3,661,212
Current assets			
Inventories	14	**1,139,147**	687,988
Trade receivables	15	**400,995**	272,758
Prepayments, deposits and other receivables	16	**429,492**	147,430
Pledged bank deposits	17	**4,673**	24,627
Cash and cash equivalents	18	**2,427,362**	3,359,788
		4,401,669	4,492,591
Total assets		**9,580,685**	8,153,803
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**34,047**	34,047
Share premium account	19	**2,243,980**	2,243,980
Other reserves	20		
– Proposed dividends	33	**155,712**	352,458
– Others		**4,225,798**	3,823,341
Total equity		**6,659,537**	6,453,826

Consolidated Balance Sheet – Continued

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	13	**17,251**	17,119
Deferred government grants	21	**–**	3,239
		17,251	20,358
Current liabilities			
Trade and bills payables	22	**1,019,984**	507,391
Other payables and accruals	23	**1,655,642**	1,141,796
Borrowings	24	**165,639**	–
Current income tax liabilities		**62,632**	30,432
		2,903,897	1,679,619
Total liabilities		**2,921,148**	1,699,977
Total equity and liabilities		**9,580,685**	8,153,803
Net current assets		**1,497,772**	2,812,972
Total assets less current liabilities		**6,676,788**	6,474,184

LO Chih-Hsien	**LIN Wu-Chung**
Executive Director	*Executive Director*

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	9(a)	**3,664,302**	3,520,201
Interest in an associate		**1,436**	1,436
Available-for-sale financial assets	12	**358,915**	335,073
Property, plant and equipment		**30**	97
Intangible assets		**10**	13
		4,024,693	3,856,820
Current assets			
Prepayments, deposits and other receivables	16	**4,451**	1,457
Due from subsidiaries	9(b)	**–**	3,910
Loans to subsidiaries	9(c)	**575,053**	587,982
Cash and cash equivalents	18	**32,404**	70,910
		611,908	664,259
Total assets		**4,636,601**	4,521,079
EQUITY			
Share capital	19	**34,047**	34,047
Share premium account	19	**2,243,980**	2,243,980
Other reserves	20		
– Proposed dividends	33	**155,712**	352,458
– Others		**2,119,888**	1,880,627
Total equity		**4,553,627**	4,511,112
LIABILITIES			
Current liabilities			
Other payables and accruals	23	**3,502**	9,967
Borrowings	24	**79,472**	–
Total liabilities		**82,974**	9,967
Total equity and liabilities		**4,636,601**	4,521,079
Net current assets		**528,934**	654,292
Total assets less current liabilities		**4,553,627**	4,511,112

LO Chih-Hsien
Executive Director

LIN Wu-Chung
Executive Director

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	5	**12,590,784**	9,108,610
Cost of sales	27	**(8,547,727)**	(5,491,943)
Gross profit		**4,043,057**	3,616,667
Other gains – net	25	**55,848**	15,187
Other income	26	**74,962**	62,266
Selling and marketing expenses	27	**(3,291,481)**	(2,581,233)
Administrative expenses	27	**(324,149)**	(346,113)
Operating profit		**558,237**	766,774
Finance income		**59,807**	50,824
Finance costs		**(4,605)**	(3,866)
Finance income – net	29	**55,202**	46,958
Share of results of jointly controlled entities and associates	10, 11	**69,026**	82,739
Profit before income tax		**682,465**	896,471
Income tax expense	30	**(163,397)**	(191,589)
Profit for the year and attributable to equity holders of the Company		**519,068**	704,882
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share) – Basic and diluted	32	**14.42 cents**	19.58 cents
Dividends	33	**155,712**	352,458

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Profit for the year		**519,068**	704,882
Other comprehensive income:			
Transfer of fair value (gains)/losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets	20	**(27,279)**	10,461
Fair value gains on available-for-sale financial assets, net of tax		**66,380**	140,412
Movements upon reclassification of an investment from available-for-sale financial asset to an associate	20		
– Transfer of fair value loss on available-for-sale financial asset, net of tax, previously taken to reserve		**–**	11,324
– Share of pre-acquisition profits and reserves of an associate		**–**	16,114
Other comprehensive income for the year, net of tax		**39,101**	178,311
Total comprehensive income for the year and attributable to equity holders of the Company		**558,169**	883,193

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company			
	Share capital	Share premium	Other reserves	Total
Balance at 1 January 2009	34,047	2,243,980	3,464,515	5,742,542
Comprehensive income				
Profit for the year	–	–	704,882	704,882
Other comprehensive income				
Fair value gains on available-for-sale financial assets, net of tax	–	–	140,412	140,412
Transfer of fair value loss upon reclassification of an available-for-sale financial asset to an associate	–	–	11,324	11,324
Share of pre-acquisition profits and reserves of an associate	–	–	16,114	16,114
Transfer of fair value loss previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	–	10,461	10,461
Total other comprehensive income	–	–	178,311	178,311
Total comprehensive income for the year	–	–	883,193	883,193
Transaction with owners				
Dividends relating to 2008	–	–	(171,909)	(171,909)
Balance at 31 December 2009	34,047	2,243,980	4,175,799	6,453,826
Balance at 1 January 2010	34,047	2,243,980	4,175,799	6,453,826
Comprehensive income				
Profit for the year	**–**	**–**	**519,068**	**519,068**
Other comprehensive income				
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	**–**	**–**	**(27,279)**	**(27,279)**
Fair value gains on available-for-sale financial assets, net of tax	**–**	**–**	**66,380**	**66,380**
Total other comprehensive income	**–**	**–**	**39,101**	**39,101**
Total comprehensive income for the year	**–**	**–**	**558,169**	**558,169**
Transaction with owners				
Dividends relating to 2009	**–**	**–**	**(352,458)**	**(352,458)**
Balance at 31 December 2010	**34,047**	**2,243,980**	**4,381,510**	**6,659,537**

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**714,293**	1,089,647
Interest income received		**65,838**	52,596
Interest expenses paid		**(980)**	(581)
Income tax paid		**(158,278)**	(194,984)
Net cash generated from operating activities		**620,873**	946,678
Cash flows from investing activities			
Investments in jointly controlled entities		**(23,413)**	(57,667)
Investments in associates		**(1,081)**	(232,336)
Additions of available-for-sales financial assets		**(82,511)**	(177)
Payment and prepayment for leasehold land		**(88,587)**	(17,185)
Purchases of property, plant and equipment		**(1,289,451)**	(501,037)
Purchases of intangible assets		**(1,319)**	(13,253)
Proceeds from disposal of property, plant and equipment		**32,628**	19,575
Proceeds from disposal of a jointly controlled entity		**–**	3,162
Proceeds from disposal of available-for-sale financial assets		**78,140**	77,726
Proceeds from disposal of a financial product		**–**	30,315
Dividends received from an associate		**2,239**	4,479
Dividends received from available-for-sales financial assets		**10,500**	10,405
Net cash used in investing activities		**(1,362,855)**	(675,993)
Cash flows from financing activities			
Proceeds from bank borrowings		**165,639**	50,000
Repayments of bank borrowings		**–**	(58,562)
Dividends paid to equity holders of the Company		**(352,458)**	(171,909)
Net cash used in financing activities		**(186,819)**	(180,471)
Net (decrease)/increase in cash and cash equivalents		**(928,801)**	90,214
Cash and cash equivalents at beginning of the year		**3,359,788**	3,272,859
Exchange losses on cash and cash equivalents		**(3,625)**	(3,285)
Cash and cash equivalents at end of the year	18	**2,427,362**	3,359,788

The notes on pages 40 to 104 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Uni-President China Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 4 July 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

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

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(a) New and amended standards adopted by the Group – Continued

- The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the PRC remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(a) New and amended standards adopted by the Group – Continued

- HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HK (IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).

- HK (IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009.

- HK (IFRIC) 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009.

- HKAS 1 (amendment), 'Presentation of financial statements'.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. It is not expected to have significant impact on the Group or the Company's financial statements.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. It is not expected to have significant impact on the Group or the Company's financial statements.

- HK (IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have significant impact on the Group or the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted – Continued

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) - Int 14). The amendments correct an unintended consequence of HK (IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) - Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have significant impact on the Group or the Company's financial statements.

2.2 Consolidation

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

(a) Subsidiaries

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Investment in a subsidiary is accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Consolidation – Continued

(a) Subsidiaries – Continued

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

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

(b) Jointly controlled entities and associates

Jointly controlled entities are entities which operate under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in jointly controlled entities and associates are accounted for in the consolidated financial statements using equity method of accounting and are initially recognised at cost. The Group's interests in the jointly controlled entities and associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its jointly controlled entities and associates' post-acquisition profit or losses, including any impairment loss on goodwill, is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity and associate equal or exceed its interest in the jointly controlled entity and associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity and associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Consolidation – Continued

(b) Jointly controlled entities and associates – Continued

Unrealised gains on transactions between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interests in the jointly controlled entities and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in jointly controlled entities and associates are recognised in the income statement.

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

2.3 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.4 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 functional currency of majority of the Group's entities is Renminbi ("RMB"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions of each of the Group's entities are translated into the functional currency using the applicable exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserves in equity.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.5 Property, plant and equipment – Continued

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

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 the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life, as follows:

Buildings	20 years
Machinery and factory equipment	10 years
Vehicle, office equipment and fixtures	3-5 years
Leasehold improvements	5 years or shorter of lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net', in the income statements. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.6 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 subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of jointly controlled entities or associates is included in interests in jointly controlled entities or associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or 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 identified according to operating segment.

(b) Computer Software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 5 years.

2.7 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *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 end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivable', 'other receivables', 'pledged bank deposits' and 'cash and cash equivalents' in the balance sheet (also refer to Notes 2.11 and 2.12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.8 Financial assets

2.8.1 Classification – Continued

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular way 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as ‘other gains/(losses) – net’.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of ‘other income’ when the Group’s right to receive payments is established.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.9 Impairment of financial assets – Continued

(a) Assets carried at amortised cost – Continued

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.9 Impairment of financial assets – Continued

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria set out in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment testing of trade and other receivables is described in note 2.11.

Impairment testing of the investments in subsidiaries, jointly controlled entities and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity and associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The cost of finished goods and work in progress comprises 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.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.12 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include cash at bank and on hand and deposits held at call with banks.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

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

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

2.15 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

2.16 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly 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, jointly controlled entities and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 substantially 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, jointly controlled entities and associates, 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 income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxed 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.18 Employee benefits

(a) ***Pension obligations (defined contribution plan)***

A defined contribution plan is a pension plan under which the Group pays contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Group has participated in defined contribution plans administered by the relevant authorities in the PRC, Taiwan and Hong Kong for its employees. The Group is required to pay monthly contributions to these plans at certain percentages of the relevant portion of the payroll of the employees to fund the benefits. The relevant authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees of the Group under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

(b) ***Profit-sharing and bonus plan***

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to equity holders of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.20 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 specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Consultation service income

Consultation service income is recognised in the period when the services are rendered.

(c) Operating lease income (as a lessor)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.21 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 income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.22 Operating leases

(a) ***The Group is the lessee***

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 in the income statement on a straight-line basis over the period of the lease.

All land in Mainland China is state-owned and no individual land ownership right exists. The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods varying from 20 to 70 years on a straight-line basis.

(b) ***The Group is the lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.23 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.23 Contingent liabilities and contingent assets – Continued

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Most of the group entities' functional currency is RMB since majority of the revenues of these entities are derived from operations in Mainland China. Foreign exchange risk arises when the future purchases from overseas and recognised assets or liabilities, such as cash and cash equivalents (Note 18) and borrowings (Note 24), part of which are denominated in United States dollar ("USD") and Hong Kong dollar ("HKD"). The Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against USD and HKD with all other variables held constant, the post-tax profit for the year ended 31 December 2010 would have been approximately RMB4,964,000 higher/lower (2009: RMB4,224,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD and HKD denominated cash and cash equivalents and borrowings.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – Continued

(a) Market risk – Continued

(ii) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the balance sheet as available-for-sale financial assets (Note 12). The Group has not hedged its price risk arising from investments in equity securities financial assets.

For the Group's equity investments that are publicly traded, the fair value is determined with reference to quoted market prices.

As at 31 December 2010, if the market prices of the securities had increased/decreased by 10% with all other variables held constant, the carrying amounts of the Group's publicly traded available-for-sale financial assets would be approximately RMB 36 million higher/lower than the current value.

For the Group's equity investments that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. In connection with the investment in shares, the Group adopts a combination of income approach and market approach. The income approach adopts a discounted cash flow method to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present worth based on profit and cash flows forecast and other relevant information provided by the investee company. The discount rate used for the investment as at 31 December 2010 was 15% (2009: 15%) per annum which was determined by the risk-free rate, market return, estimated beta of the investee company and firm specific risk factors. The market approach adopts various sales/income multiples to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by multiplying various sales/ income of the investee company to multipliers with regard to the risks and nature of the business. In estimating the multiples, reference has been made to the operating results of companies with similar business nature, having their operating activities in the PRC and whose ownership interests are publicly traded. As at 31 December 2010, if the discount rate and the multiples used was 10% higher/lower from management's estimates, the carrying amounts of the available-for-sale financial assets would be approximately RMB20,220,000 lower/RMB26,330,000 higher than the current value.

(iii) Cash flow and fair value interest rate risk

Except for bank deposits (Note 18) and borrowings (Note 24) with interest charges, the Group have no other significant interest-bearing assets and liabilities.

The Group's interest-rate risk arises from bank deposits and borrowings. Bank deposits and borrowings at variable rates expose the Group to cash flow interest-rate risk, and if at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of bank deposits and borrowings are disclosed in Note 18 and Note 24 respectively.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – Continued

(a) Market risk – Continued

(iii) Cash flow and fair value interest rate risk – Continued

As at 31 December 2010, if interest rates on bank deposits and borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been approximately RMB17,072,000 higher/lower (2009: RMB25,883,000 higher/lower), mainly as a result of higher/lower interest income on bank deposits which would offset interest expenses on borrowings.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2010 and 2009, all pledged bank deposits and cash and cash equivalents were deposited in the high quality financial institutions and state-controlled financial institutions without significant credit risk. The table below shows the bank deposit balances of the three major counterparties as at 31 December 2010 and 2009:

Counterparty	Rating *	2010 RMB'000	2009 RMB'000
Bank A	A-	**382,949**	389,407
Bank B	A-	**351,838**	497,936
Bank C	A	**260,484**	255,177

* The sources of credit rating are from Standard & Poor's and Moody's.

Management does not expect any losses from non-performance of these counterparties.

Majority of the Group's sales are settled in cash or in bills provided by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – Continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit facilities to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000
As at 31 December 2010	
Borrowings	**165,639**
Interests payments on borrowings	**2,014**
Trade and bills payables	**1,019,984**
Other payables and accruals, excluding advances received and taxes and levies payable	**1,252,578**
As at 31 December 2009	
Trade and bills payables	507,391
Other payables and accruals, excluding advances received and taxes and levies payable	878,835

Interests payments on borrowings are calculated based on borrowings held as at the balance sheet dates without taking into account of future issues. Floating-rate interest is estimated using the current interest rate as at the balance sheet dates.

3.2 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, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.2 Capital risk management – Continued

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The Group's strategy is to maintain a gearing ratio below 50%. The gearing ratios at 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Total borrowings (i)	2,841,265	1,649,187
Less: cash and cash equivalents (Note 18)	(2,427,362)	(3,359,788)
Net debt	413,903	(1,710,601)
Total equity	6,659,537	6,453,826
Total capital (ii)	7,073,440	4,743,225
Gearing ratio (negative)	5.85%	(36.06%)

(i) Total borrowings include borrowings, trade and bill payables and other payables and accruals, as shown in the consolidated balance sheet.

(ii) Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation – Continued

The following table presents the group's assets that are measured at fair value at 31 December 2010 and 2009.

	2010 RMB'000	2009 RMB'000
Available-for-sale financial assets		
– Level 1	**358,915**	335,073
– Level 2	**173,913**	112,535
– Level 3	**–**	–
Total	**532,828**	447,608

4 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.

4.1 Critical accounting estimates and assumptions

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

(a) Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market, such as equity interest classified as available-for-sale financial assets (Note 12) is determined by using valuation techniques (Note 3.1(a)(ii)). The Group uses its judgment to select a variety of methods and to make assumptions that are mainly based on market conditions existing at each balance sheet date.

(b) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

4.1 Critical accounting estimates and assumptions – Continued

(b) Income taxes – Continued

As at 31 December 2010, the Group has deferred income tax assets in the amount of approximately RMB130,147,000 (2009: RMB104,521,000). To the extent it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from impairment provisions on assets, temporary differences arising from depreciation, certain accrual items as well as downward adjustment in fair value of available-for-sale financial assets.

As at 31 December 2010, the Group has deferred income tax liability in amount of approximately RMB17,251,000 (2009: RMB17,119,000). Deferred income tax liability is recognised for the withholding tax that would be payable on the estimate of earnings of a subsidiary incorporated in the PRC that are expected to be distributed in the foreseeable future.

4.2 Critical judgements in applying the Group's accounting policies

(a) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee company, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of approximately RMB14,848,000 in its 2010 financial statements, being the transfer of the accumulated fair value adjustments on the impaired available-for-sale financial assets recognised in equity to the income statement.

5 REVENUE AND SEGMENT INFORMATION

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

The executive directors consider the business from a product perspective as over 90% of the Group's sales and business activities are conducted in the PRC. From a product perspective, management assesses the performance of beverages, instant noodles and others.

5 REVENUE AND SEGMENT INFORMATION – CONTINUED

The executive directors assess the performance of operating segments based on segment profit or loss. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

The segment information for the year ended 31 December 2010 and 2009 is as follows:

	2010				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	8,796,361	3,549,082	245,341	–	12,590,784
Segment profit/(loss)	637,421	(9,946)	1,678	(70,916)	558,237
Finance income – net					55,202
Share of results of jointly controlled entities and associates	71,576	–	–	(2,550)	69,026
Profit before income tax					682,465
Income tax expense					(163,397)
Profit for the year					519,068
Other segment items included in the income statement					
Depreciation and amortisation	262,891	89,109	7,680	12,215	371,895
Segment assets and liabilities					
Assets	4,041,913	1,279,723	129,252	3,301,339	8,752,227
Interests in jointly controlled entities	78,710	–	–	9,627	88,337
Interests in associates	677,145	–	–	62,976	740,121
Total assets					9,580,685
Liabilities	1,682,019	890,378	47,787	300,964	2,921,148
Total liabilities					2,921,148
Capital expenditure	1,315,796	81,892	13,168	835	1,411,691

5 REVENUE AND SEGMENT INFORMATION – CONTINUED

	2009				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	6,926,916	2,120,483	61,211	–	9,108,610
Segment profit/(loss)	928,391	(68,997)	(9,922)	(82,698)	766,774
Finance income – net					46,958
Share of results of jointly controlled entities and associates	86,061	–	–	(3,322)	82,739
Profit before income tax					896,471
Income tax expense					(191,589)
Profit for the year					704,882
Other segment items included in the income statement					
Depreciation and amortisation	232,051	79,850	5,825	4,830	322,556
Segment assets and liabilities					
Assets	2,429,380	836,114	40,584	4,110,548	7,416,626
Interests in jointly controlled entities	444,587	–	–	2,053	446,640
Interests in associates	221,933	–	–	68,604	290,537
Total assets					8,153,803
Liabilities	1,149,160	458,155	13,697	78,965	1,699,977
Total liabilities					1,699,977
Capital expenditure	420,321	83,742	3,204	71,246	578,513

Assets grouped under unallocated category consisted primarily of deferred income tax assets, available-for-sale financial assets, pledged bank deposits and cash and cash equivalents.

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

Capital expenditure comprised additions to leasehold land, property, plant and equipment and intangible assets.

6 LEASEHOLD LAND – GROUP

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

	2010 RMB'000	2009 RMB'000
Opening net book amount	184,985	171,952
Additions	75,224	17,185
Amortisation (Note 27)	(4,704)	(4,152)
Closing net book amount	255,505	184,985
Cost	305,045	229,821
Accumulated amortisation	(49,540)	(44,836)
Net book amount	255,505	184,985

All of the Group's leasehold land are located in the PRC and are with the lease periods as follows:

	2010 RMB'000	2009 RMB'000
In the PRC, held on:		
Leases* of over 50 years	11,654	12,151
Leases* of between 10 and 50 years	243,851	172,834
Closing net book amount	255,505	184,985

* Refer to lease period.

Amortisation of the Group's leasehold land has been charged to "administrative expenses" in the consolidated income statement.

There is no pledge of leasehold land as at 31 December 2010 and 2009.

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings RMB'000	Machinery and factory equipment RMB'000	Vehicles, office equipment and fixtures RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009						
Cost	960,972	2,159,108	739,780	6,453	289,462	4,155,775
Accumulated depreciation	(371,500)	(1,318,465)	(501,618)	(5,940)	–	(2,197,523)
Accumulated impairment provision	–	(1,296)	(19)	–	–	(1,315)
Net book amount	589,472	839,347	238,143	513	289,462	1,956,937
Year ended 31 December 2009						
Opening net book amount	589,472	839,347	238,143	513	289,462	1,956,937
Additions	12,939	22,766	93,319	–	424,736	553,760
Transfer upon completion	172,136	362,968	69,922	–	(605,026)	–
Disposals	(778)	(7,399)	(13,651)	–	–	(21,828)
Depreciation (Note 27)	(49,686)	(164,524)	(101,052)	(69)	–	(315,331)
Reversal of provision (Note 27)	–	486	19	–	–	505
Closing net book amount	724,083	1,053,644	286,700	444	109,172	2,174,043
At 31 December 2009						
Cost	1,144,237	2,518,344	820,738	6,453	109,172	4,598,944
Accumulated depreciation	(420,154)	(1,463,890)	(534,038)	(6,009)	–	(2,424,091)
Accumulated impairment provision	–	(810)	–	–	–	(810)
Net book amount	724,083	1,053,644	286,700	444	109,172	2,174,043
Year ended 31 December 2010						
Opening net book amount	**724,083**	**1,053,644**	**286,700**	**444**	**109,172**	**2,174,043**
Additions	**4,501**	**58,376**	**213,203**	**1,636**	**1,057,432**	**1,335,148**
Transfer upon completion	**142,291**	**601,806**	**84,562**	**–**	**(828,659)**	**–**
Disposals	**(3,205)**	**(20,877)**	**(416)**	**(69)**	**–**	**(24,567)**
Depreciation (Note 27)	**(58,325)**	**(180,993)**	**(123,996)**	**(385)**	**–**	**(363,699)**
Reversal of provision (Note 27)	**–**	**65**	**–**	**–**	**–**	**65**
Closing net book amount	**809,345**	**1,512,021**	**460,053**	**1,626**	**337,945**	**3,120,990**
At 31 December 2010						
Cost	**1,286,916**	**3,081,937**	**1,084,888**	**7,904**	**337,945**	**5,799,590**
Accumulated depreciation	**(477,571)**	**(1,569,171)**	**(624,835)**	**(6,278)**	**–**	**(2,677,855)**
Accumulated impairment provision	**–**	**(745)**	**–**	**–**	**–**	**(745)**
Net book amount	**809,345**	**1,512,021**	**460,053**	**1,626**	**337,945**	**3,120,990**

7 PROPERTY, PLANT AND EQUIPMENT – GROUP – CONTINUED

Depreciation expenses have been charged to the consolidated income statement as follows:

	2010 RMB'000	2009 RMB'000
Cost of sales	**275,505**	216,404
Selling and marketing expenses	**54,347**	38,082
Administrative expenses	**33,847**	60,845
	363,699	315,331

There are no pledge of property, plant and equipment as at 31 December 2010 and 2009.

The Group's buildings are located in the PRC.

Lease rental income amounting to approximately RMB4.7 million (2009: RMB2.4 million) relating to the lease of buildings are included in the consolidated income statement (Note 26).

8 INTANGIBLE ASSETS – GROUP

	Goodwill RMB'000	Computer Software RMB'000	Total RMB'000
At 1 January 2009			
Cost	11,941	12,402	24,343
Accumulated amortisation	–	(4,019)	(4,019)
Accumulated impairment	(11,941)	–	(11,941)
Net book amount	–	8,383	8,383
Year ended 31 December 2009			
Opening net book amount	–	8,383	8,383
Additions	–	7,568	7,568
Amortisation (Note 27)	–	(3,073)	(3,073)
Closing net book amount	–	12,878	12,878
At 31 December 2009			
Cost	11,941	19,970	31,911
Accumulated amortisation	–	(7,092)	(7,092)
Accumulated impairment	(11,941)	–	(11,941)
Net book amount	–	12,878	12,878

8 INTANGIBLE ASSETS – GROUP – CONTINUED

	Goodwill RMB'000	Computer Software RMB'000	Total RMB'000
Year ended 31 December 2010			
Opening net book amount	–	12,878	12,878
Additions	–	1,319	1,319
Amortisation (Note 27)	–	(3,492)	(3,492)
Closing net book amount	–	10,705	10,705
At 31 December 2010			
Cost	11,941	21,288	33,229
Accumulated amortisation	–	(10,583)	(10,583)
Accumulated impairment	(11,941)	–	(11,941)
Net book amount	–	10,705	10,705

The goodwill of approximately RMB11,941,000 was derived from the acquisitions of subsidiaries in previous years and had been impaired and fully provided for.

The amortisation of computer software has been charged to 'administrative expenses' and 'selling and market expenses' at the amount of approximately RMB2,890,000 and RMB602,000 (2009: RMB2,626,000 and RMB447,000), respectively.

9 INTERESTS IN SUBSIDIARIES – COMPANY

(a) Investment in a subsidiary

	2010 RMB'000	2009 RMB'000
Investment, at cost:		
– Unlisted shares	3,664,302	3,520,201

The list of the principal subsidiaries of the Company as at 31 December 2010 is set out in Note 38.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and without fixed terms of repayment. The amounts due from subsidiaries represent the amounts paid on behalf of subsidiaries for the purchase of property, plant and equipment.

9 INTERESTS IN SUBSIDIARIES – COMPANY – CONTINUED

(c) Loans to subsidiaries

The loans to subsidiaries are unsecured, denominated in USD and repayable within twelve months with the interest rate equals to the London Inter-bank Offered Rate (the "LIBOR") plus certain credit rating. The carrying amounts of loans to subsidiaries approximate their fair values as at the balance sheet dates.

10 INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP

	2010 **RMB'000**	2009 RMB'000
At 1 January	**446,640**	306,448
Additions	**23,413**	57,667
Transfer to an associate (Note 11(b))	**(387,110)**	–
Disposal	**–**	(1,872)
Share of profits	**5,394**	84,397
At 31 December	**88,337**	446,640

The particulars of the jointly controlled entities of the Group as at 31 December 2010, all of which are unlisted, are set out as follows:

Company name	Country/place and date of incorporation	Paid-up capital	Equity interest attributable to the Group 2010	Equity interest attributable to the Group 2009	Principal activities
蘇州工業園區華穗創業投資管理有限公司 (United Advisor Venture Management Co., Ltd.*) ("United Advisor Venture Management")	Suzhou, PRC, 18 July 2008	RMB1,000,000	**50%**	50%	Investment management and advisory services
煙台統利飲料工業有限公司 (Yantai Tongli Beverage Industries Co., Ltd.*) ("Yantai Tongli")	Yantai, PRC, 9 June 2009	USD14,641,200	**50%**	50%	OEM processing and sales of various types of beverages, fruit juice, tea, etc.
桂林紫泉飲料工業有限公司 (Guilin Ziquan Beverage Industries Co., Ltd.*) ("Guilin Ziquan")	Guilin, PRC, 24 July 2009	USD9,000,000	**45%**	45%	Production of various types of beverage including fruit, vegetable, tea and coffee etc.
Greater China F&B Capital Partners Ltd. ("Greater China F&B")	Cayman Islands, 16 April 2008	USD10,000	**50%**	–	Investment management

* The English name represents the best effort by management of the Company in translating the Chinese name.

10 INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP – CONTINUED

The additions to the interests in jointly controlled entities during the year ended 31 December 2010 included RMB20,000,000 of further capital injection to Yantai Tongli, a jointly controlled entity established by the Group and Yantai North Andre Juice Co., Ltd. ("Andre Juice") (Note 11), and RMB3,413,000 for the set up of Greater China F&B with a third party.

The results, assets and liabilities of the Group's jointly controlled entities are as follows:

Name	Total assets RMB'000	Total liabilities RMB'000	Net assets value RMB'000	Net assets value attributable to the Group RMB'000	Revenues RMB'000	Net profit/ (losses) RMB'000	Profit/ (losses) attributable to the Group RMB'000
Year ended 31 December 2010							
Yantai Tongli	**122,539**	**16,768**	**105,771**	**52,885**	**71,579**	**6,151**	**3,076**
Guilin Ziquan	**122,425**	**65,037**	**57,388**	**25,825**	**35,929**	**(4,093)**	**(1,842)**
United Advisor Venture Management	**13,607**	**630**	**12,977**	**6,489**	**15,250**	**8,870**	**4,435**
Greater China F&B	**6,276**	**–**	**6,276**	**3,138**	**–**	**(550)**	**(275)**
	264,847	**82,435**	**182,412**	**88,337**	**122,758**	**10,378**	**5,394**
Year ended 31 December 2009							
Jinmailang	1,558,625	784,405	774,220	387,110	1,416,503	165,953	82,977
Yantai Tongli	59,620	–	59,620	29,810	–	(380)	(190)
Guilin Ziquan	61,481	–	61,481	27,667	–	–	–
United Advisor Venture Management	7,926	3,819	4,107	2,053	10,319	3,221	1,610
	1,687,652	788,224	899,428	446,640	1,426,822	168,794	84,397

11 INTERESTS IN ASSOCIATES – GROUP

	31 December 2010 RMB'000	31 December 2009 RMB'000
Listed securities	**1,436**	1,436
Unlisted securities	**738,685**	289,101
	740,121	290,537

11 INTERESTS IN ASSOCIATES – GROUP – CONTINUED

The movements in interests in associates are as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	**290,537**	–
New investment in an associate (Note (a))	**1,081**	73,500
Transfer from a jointly controlled entity (Note (b))	**387,110**	–
Acquisition of an associate (Note (c))		
– Increase in investment	**–**	158,836
– Transfer from available-for sale financial assets and the related fair value reserve	**–**	48,224
– Share of pre-acquisition profits and reserves	**–**	16,114
Share of profit/(losses)	**63,632**	(1,658)
Dividends received	**(2,239)**	(4,479)
At 31 December	**740,121**	290,537

The particulars of the associates of the Group as at 31 December 2010 are set out as follows. Other than Andre Juice, the other associates are unlisted:

Company name	Country/place and date of incorporation	Paid-up Capital/ Share Capital	Equity interest attributable to the Group 2010	2009	Principal activities
華穗食品創業投資企業 (China F&B Venture Investments) ("China F&B")	Suzhou, PRC, 13 April 2009	RMB185,043,016	**39.74%**	39.74%	Investment management
煙台北方安德利果汁股份有限公司 (Yantai North Andre Juice Co., Ltd.) ("Andre Juice")	Yantai, PRC, 26 June 2001	RMB426,554,000	**15%**	15%	The production and Sales of concentrated apple juice, pear juice, apple essence, forage etc. products.
今麥郎飲品股份有限公司 (Jinmailang Beverage Corporate Limited, and used to be Jinmailang Beverage (Beijing) Co., Ltd*) ("Jinmailang Corporate") (Note (b))	Beijing, PRC, 28 October 2005	RMB800,000,000	**50%**	50%	Manufacturing and sale of beverages
上海民富股權投資管理有限公司 (SMS Private Equity Fund Management Co., Ltd.*) ("SMS")	Shanghai, PRC, 13 December 2010	USD400,000	**40%**	–	Investment management and related advisory service

11 INTERESTS IN ASSOCIATES – GROUP – CONTINUED

Notes:

(a) In December 2010, the Group and other third party investors established a Sino-foreign joint venture company, 上海民富股權投資管理有限公司 (SMS Private Equity Fund Management Co., Ltd.*) ("SMS"), for the purpose of investments management and related advisory service for the Group and other parties in the PRC. According to the joint venture agreement, the Group has agreed to subscribe, in aggregate 40% of the registered capital of SMS, at a total subscription price of USD800,000. As at 31 December 2010, the Group has made capital contribution of USD160,000, representing 20% of the committed subscription.

(b) 今麥郎飲品(北京)有限公司 (Jinmailang Beverage (Beijing) Co., Ltd.*) ("Jinmailang Beverage") used to be a jointly controlled entity of the Group. According to the revised articles of association effective in June 2010, the other shareholder got the control over the board of directors (the governance body of Jinmailang Beverage). Thereafter, Jinmailang Beverage became an associated company of the Group.

In December 2010, Jinmailang Beverage underwent a reorganization to transform from a limited liability company to a joint stock limited liability company, and changed the name from 今麥郎飲品(北京)有限公司 (Jinmailang Beverage (Beijing) Co., Ltd.*) to 今麥郎飲品股份有限公司 (Jinmailang Beverage Corporate Limited*) ("Jinmailang Corporate"). Jinmailang Corporate issued a total of 800,000,000 ordinary shares to the original two shareholders at par value of RMB1 through capitalization of the net assets of Jinmailang Beverage on the reorganization date. As at 31 December 2010, the Group holds 400,000,000 ordinary shares of Jinmailang Corporate, representing 50% equity interest.

(c) On 21 April 2009, the Group completed the acquisition of an additional 451,130,807 domestic legal person shares (not publicly tradable) of Yantai North Andre Juice Co., Ltd. ("Andre Juice"), representing approximately 10.58% of the total issued share capital of Andre Juice, at a cash consideration of approximately RMB158,836,000. Andre Juice is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. After the acquisition, the Group's aggregate interest in the total issued share capital of Andre Juice increased from approximately 4.43% to 15.00%. The Group started to have a significant influence over Andre Juice and therefore accounted for the investment in Andre Juice from an available-for-sale financial asset to interest in an associated company.

* The English name represents the best effort by management of the Company in translating the Chinese name.

11 INTERESTS IN ASSOCIATES – GROUP – CONTINUED

The Group's share of the results of its associates and their aggregated assets and liabilities, after adjustments for fair value arising from acquisition, are as follows:

Name	Country of incorporation	Total assets RMB'000	Total liabilities RMB'000	Net assets RMB'000	Revenues RMB'000	Net profit/ (losses) RMB'000	Interest held
Year ended 31 December 2010							
Jinmailang Corporate	PRC	1,147,801	691,262	456,539	898,099	69,429	50.00%
Andre Juice	PRC	391,801	171,195	220,606	164,805	913	15.00%
China F&B	PRC	62,256	70	62,186	–	(6,418)	39.74%
SMS	PRC	939	149	790	–	(292)	40.00%
		1,602,797	862,676	740,121	1,062,904	63,632	
Year ended 31 December 2009							
Andre Juice	PRC	391,804	169,871	221,933	89,588	3,274	15.00%
China F&B	PRC	68,604	–	68,604	–	(4,932)	39.74%
		460,408	169,871	290,537	89,588	(1,658)	

As at 31 December 2010, the Group and the other shareholder of Jinmailang Corporate provided guarantees in proportion of their respective equity interests in Jinmailang Corporate for the bank borrowings and finance leases of Jinmailang Corporate. The respective guarantees provided by the Group amounted to approximately RMB199 million at 31 December 2010 (2009: RMB207 million) (Note 35).

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**447,608**	394,657	**335,073**	245,630
Additions	**82,511**	177	**30,846**	177
Disposals	**(65,258)**	(52,955)	**(65,258)**	(49,076)
Transfer to interests in associate (Note 11(c))	**–**	(35,042)	**–**	(627)
Net fair value changes taken to equity (Note 20)	**67,967**	140,771	**58,254**	138,969
At 31 December	**532,828**	447,608	**358,915**	335,073

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP AND COMPANY – CONTINUED

During the year ended 31 December 2010, the Group disposed off certain available-for-sale financial assets and realised a gain of RMB40,161,000 (2009: RMB14,310,000) (Note 25), after offsetting a fair value gain of RMB27,279,000 (2009: a fair value loss of RMB10,461,000) transferred from reserve recognised previously.

The available-for-sale financial assets of the Group are stated at fair value and include the following:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities				
Want Want	**326,428**	322,206	**326,428**	322,206
Others	**32,487**	12,867	**32,487**	12,867
	358,915	335,073	**358,915**	335,073
Unlisted securities				
Wondersun Dairy	**173,180**	111,802	**–**	–
Others	**733**	733	**–**	–
	173,913	112,535	**–**	–
	532,828	447,608	**358,915**	335,073

The Group's investments in listed securities mainly comprise investments in shares of Want Want China Holdings Limited ("Want Want"), one of the leading snack food and beverage manufacturers in the PRC and listed on the Main Board of the Stock Exchange. The fair values of the listed securities are determined based on the quoted market prices at the balance sheet date.

In addition, the Group holds 9% (2009: 9%) equity interests in 黑龍江省完達山乳業股份有限公司 (Heilongjiang Wondersun Dairy Joint Stock Co., Ltd.*) ("Wondersun Dairy"), an unlisted PRC domestic enterprise engaged in the manufacturing and sale of dairy products. The fair value of the unlisted equity interests in Wondersun Dairy is determined with reference to a valuation based on a combination of income approach and market approach (Note 3.1(a)(ii)). Pursuant to a subscription agreement entered into in November 2010, the existing shareholders agreed to subscribe additional shares to be issued by Wondersun Dairy in proportion of their respective equity interests. As at 31 December 2010, the Group has made capital contribution of approximately RMB51,665,000 to Wondersun Dairy, representing 50% of the committed new subscription of share capital.

* The English name represents the best effort by management of the Company in translating the Chinese name.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP AND COMPANY – CONTINUED

Other than the listed securities which are denominated in HKD, the remaining available-for-sale financial assets are denominated in RMB.

13 DEFERRED INCOME TAX – GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follow:

	2010 RMB'000	2009 RMB'000
Deferred income tax assets		
– Deferred income tax assets to be recovered within 12 months	124,481	94,575
– Deferred income tax assets to be recovered after more than 12 months	5,666	9,946
	130,147	104,521
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered within 12 months	17,251	17,119
Deferred income tax assets, net	112,896	87,402

The gross movements in the deferred income tax accounts are as follows:

	2010 RMB'000	2009 RMB'000
Withholding tax		
At 1 January	87,402	84,480
Charged in the consolidated income statement (Note 30)	27,081	5,139
Tax charge relating to components of other comprehensive income (Note 20)	(1,587)	(2,217)
At 31 December	112,896	87,402

13 DEFERRED INCOME TAX – GROUP

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Impairment provision of assets RMB'000	Depreciation of equipment RMB'000	Accrued expenses RMB'000	Downward adjustment in fair value of available-for-sale financial assets RMB'000	Unused tax loss benefit RMB'000	Total RMB'000
At 1 January 2009	27,974	8,050	33,209	7,129	8,118	84,480
Recognised in the consolidated income statements	2,078	(2,055)	26,181	–	(3,946)	22,258
Charged directly to other comprehensive income	–	–	–	(2,217)	–	(2,217)
At 31 December 2009	**30,052**	**5,995**	**59,390**	**4,912**	**4,172**	**104,521**
Recognised in the consolidated income statements	**(5,575)**	**(329)**	**37,289**	**–**	**(4,172)**	**27,213**
Charged directly to other comprehensive income	**–**	**–**	**–**	**(1,587)**	**–**	**(1,587)**
At 31 December 2010	**24,477**	**5,666**	**96,679**	**3,325**	**–**	**130,147**

Deferred income tax liabilities

	2010 RMB'000	2009 RMB'000
Withholding tax		
At 1 January	**17,119**	–
Recognised in the consolidated income statement	**132**	17,119
At 31 December	**17,251**	17,119

13 DEFERRED INCOME TAX – GROUP – CONTINUED

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB59,815,000 (2009: RMB41,162,000) in respect of tax losses amounting to approximately RMB239,260,000 (2009: RMB203,642,000) as at 31 December 2010 that can be carried forward against future taxable income. Tax losses amounting to approximately RMB20,072,000, RMB59,167,000, RMB70,998,000, RMB50,622,000 and RMB38,401,000 will expire in the following five years, respectively.

According to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 10% (or 5% for the foreign investor which is incorporated in HongKong or other places as stipulated by the New CIT Law) upon the distribution of such profits to foreign investors. Deferred income tax liabilities of RMB17,251,000 (2009: RMB17,119,000) have been recognised for the withholding tax that would be payable on the earnings of PRC subsidiaries that are derived in year 2009 and 2010, and are expected to be distributed in the foreseeable future.

14 INVENTORIES – GROUP

	2010 **RMB'000**	2009 RMB'000
Raw materials	**324,527**	192,670
Working in progress	**51,801**	35,413
Finished goods	**538,754**	306,619
Consumables	**224,065**	153,286
	1,139,147	687,988

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB7,289 million (2009: RMB4,544 million).

The Group recognised a loss of approximately RMB8,556,000 (2009: RMB636,000) (Note 27) for the year ended 31 December 2010, in respect of the write-down of inventories to their net realisable values. These amounts have been included in "cost of sales" in the income statement.

15 TRADE RECEIVABLES – GROUP

	2010 RMB'000	2009 RMB'000
Trade receivables from independent third parties	403,503	275,850
Less: provision for impairment	(9,049)	(8,152)
Trade receivables from independent third parties, net	394,454	267,698
Trade receivables from related parties (Note 37(b))	6,541	5,060
Trade receivables, net	400,995	272,758

The credit terms granted to customers by the Group are usually 60 to 90 days (2009: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	2010 RMB'000	2009 RMB'000
Trade receivables, gross		
– Within 90 days	366,956	249,299
– 91 – 180 days	39,866	27,179
– 181 – 365 days	2,313	1,790
– Over 1 year	909	2,642
	410,044	280,910

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

	2010 RMB'000	2009 RMB'000
Trade receivables, gross		
– RMB	404,346	279,705
– USD	3,964	1,071
– HKD	1,734	134
	410,044	280,910

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

15 TRADE RECEIVABLES – GROUP – CONTINUED

As at 31 December 2010, trade receivables of approximately RMB83 million (2009: RMB54 million) are impaired and the amount of the provision for impairment is approximately RMB9.0 million (2009: RMB8.2 million). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. The ageing of these receivables is as follows:

	2010 **RMB'000**	2009 RMB'000
Trade receivables, gross		
– Within 90 days	**39,517**	22,482
– 91 – 180 days	**39,866**	27,179
– 181 – 365 days	**2,313**	1,790
– Over 1 year	**909**	2,642
	82,605	54,093

The Group recognises provision for impairment of trade receivables in "administrative expenses" in the income statements. The movements in provision for impairment are as follows:

	2010 **RMB'000**	2009 RMB'000
At 1 January	**8,152**	12,114
Receivables written off as uncollectible	**(780)**	(3,137)
Provision/(reversal of provision) for impairment of trade receivables (Note 27)	**1,677**	(825)
At 31 December	**9,049**	8,152

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

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantee deposits for purchase (Note (a))	**338,685**	–	**–**	–
Prepayments – advance payments to suppliers	**52,740**	128,734	**–**	–
Prepaid acquisition fee for leasehold land	**13,363**	–	**–**	–
Prepaid and deductible value added tax and other taxes	**179,054**	54,531	**–**	–
Prepaid lease, insurance and other operating expenses	**39,996**	19,747	**188**	79
Amounts due from related parties (Note 37(b))	**64,828**	18,196	**–**	–
Others	**41,209**	26,222	**4,263**	1,378
	729,875	247,430	**4,451**	1,457
Less: non-current portion				
– Guarantee deposits for purchase (Note (a))	**(287,020)**	–	**–**	–
– Prepaid acquisition fee for leasehold land	**(13,363)**	–	**–**	–
	(300,383)	–	**–**	–
Less: provision for impairment (Note (b))	**–**	(100,000)	**–**	–
	429,492	147,430	**4,451**	1,457

Notes:

(a) Pursuant to an agreement entered into in November 2010, the Group made guarantee deposits to Wondersun Diary in an aggregate amount of approximately RMB338,685,000, to secure the purchase of the milk powder produced by Wondersun Diary. The guarantee deposits are repayable by instalment during year 2011 to year 2013 according to a predetermined timetable.

(b) In year 2008, the Group made a full provision of RMB100 million for impairment of an advance payment made to a sugar manufacturer, Guangdong Zhong Gu Tang Ye Group Company Limited ("Zhong Gu"). Zhong Gu entered into bankrupt procedure at the end of 2009. In September 2010, Zhanjiang Intermediate People's Court approve the reorganization plan of Zhong Gu. As at 31 December 2010, the Group has recovered approximately RMB31.2 million from Zhong Gu, representing the total amount recoverable according to the reorganization plan. The provision for impairment was reversed by RMB31.2 million accordingly.

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

17 PLEDGED BANK DEPOSITS – GROUP

The pledged bank deposits as at 31 December 2010 and 2009 represented deposits at banks pledged as security for the issue of letter of credit facilities and bills of the Group.

18 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**2,340,297**	2,081,973	**19,504**	53,728
Short-term bank deposits	**87,065**	1,277,815	**12,900**	17,182
	2,427,362	3,359,788	**32,404**	70,910

As at 31 December 2010, the effective weighted average rate of the short-term bank deposits of the Group was 1.46% (2009: 1.79%) per annum. These deposits have an average maturity of 39 days (2009: 58 days) but could be withdrawn anytime without restriction.

As at 31 December 2010, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
– RMB	**2,383,464**	3,269,326	**–**	–
– USD	**9,892**	34,502	**3,957**	20,162
– HKD	**29,045**	52,364	**28,447**	50,748
– Others	**4,961**	3,596	**–**	–
	2,427,362	3,359,788	**32,404**	70,910

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

19 SHARE CAPITAL AND PREMIUM ACCOUNT – GROUP AND COMPANY

(a) Share capital and share premium account

	Number of ordinary shares	Authorised Share capital HKD'000	Authorised Share capital equivalent to RMB'000
At 31 December 2009 and 2010	50,000,000,000	500,000	440,240

	Issued and fully paid Number of shares	Share capital HK'000	Share capital equivalent to RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2009 and 2010	3,599,445,000	35,994	34,047	2,243,980	2,278,027

(b) Share option scheme

The Company adopted a share option scheme (the "Scheme") pursuant to a written resolution passed on 23 November 2007. The total number of shares which may be issued under the scheme must not exceed 352,681,000 shares, representing approximately 10% of the total number of shares issued by the Company as at 17 December 2007 (ie. the listing date of the Company's shares on The Stock Exchange). The general vesting period for the options granted under the Scheme is limited to 20% at each anniversary of grant date and should be a period to commence not less than one year and not to exceed 10 years from the date of the grate of the option. The Scheme will remain in force until 16 December 2017.

Up to 31 December 2010, no share options have been granted under the Scheme.

20 OTHER RESERVES – GROUP AND COMPANY

Group

	Capital reserves RMB'000	Fair value reserves RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	1,813,305	(32,476)	306,854	1,376,832	3,464,515
Profit for the year	–	–	–	704,882	704,882
Disposal transfer – revaluation reserve of property, plant and equipment acquired in business combinations	–	(507)	–	507	–
Movements upon reclassification of an investment from available-for-sale financial asset to an associate					
– Transfer of fair value loss on available-for-sale financial asset previously taken to reserve					
– gross	–	13,182	–	–	13,182
– tax (Note 13)	–	(1,858)	–	–	(1,858)
– Share of pre-acquisition profits and reserves of associate	4,226	–	–	11,888	16,114
Transfer of fair value loss previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	10,461	–	–	10,461
Fair value gains on available-for-sale financial assets					
– gross (Note 12)	–	140,771	–	–	140,771
– tax (Note 13)	–	(359)	–	–	(359)
Appropriation to statutory reserves	–	–	86,433	(86,433)	–
Dividends relating to 2008, paid	–	–	–	(171,909)	(171,909)
Balance at 31 December 2009	**1,817,531**	**129,214**	**393,287**	**1,835,767**	**4,175,799**
Profit for the year	**–**	**–**	**–**	**519,068**	**519,068**
Transfer of fair value gains previously taken to reserve to income statement upon disposal of available-for-sale financial assets (Note 12)	**–**	**(27,279)**	**–**	**–**	**(27,279)**
Fair value gains on available-for-sale financial assets					
– gross (Note 12)	**–**	**67,967**	**–**	**–**	**67,967**
– tax (Note 13)	**–**	**(1,587)**	**–**	**–**	**(1,587)**
Appropriation to statutory reserves	**–**	**–**	**72,177**	**(72,177)**	**–**
Dividends relating to 2009, paid	**–**	**–**	**–**	**(352,458)**	**(352,458)**
Balance at 31 December 2010	**1,817,531**	**168,315**	**465,464**	**1,930,200**	**4,381,510**

20 OTHER RESERVES – GROUP AND COMPANY – CONTINUED

Company

	Contributed surplus RMB'000	Fair value reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2009	2,054,310	(1,377)	(122,277)	1,930,656
Profit for the year	–	–	324,099	324,099
Movements upon reclassification of an investment from available-for-sale financial asset to associate				
– Transfer of fair value loss on available-for-sale financial asset previously taken to reserve	–	809	–	809
Transfer of fair value loss previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	10,461	–	10,461
Fair value gains on available-for-sale financial assets	–	138,969	–	138,969
Dividends relating to 2008, paid	–	–	(171,909)	(171,909)
Balance at 31 December 2009	**2,054,310**	**148,862**	**29,913**	**2,233,085**
Profit for the year	**–**	**–**	**363,998**	**363,998**
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets (Note 12)	**–**	**(27,279)**	**–**	**(27,279)**
Fair value gains on available-for-sale financial assets	**–**	**58,254**	**–**	**58,254**
Dividends relating to 2009, paid	**–**	**–**	**(352,458)**	**(352,458)**
Balance at 31 December 2010	**2,054,310**	**179,837**	**41,453**	**2,275,600**

(a) Capital reserves and contributed surplus

Capital and contributed surplus reserves of the Group mainly represent the contributions from and distributions to the equity holder of the Group prior to the listing of shares of the Company pursuant to the reorganisation for the purpose of the Listing.

(b) Fair value reserves

Fair value reserves of the Group comprise of changes in fair value of available-for-sale financial assets and reserves arising from business combinations.

20 OTHER RESERVES – GROUP AND COMPANY – CONTINUED

(c) Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit as reported in their respective statutory financial statements after offsetting accumulated losses from prior years, before profit distributions to equity holder. All statutory reserves are created for specific purposes.

PRC subsidiaries incorporated as wholly-foreign owned enterprises and domestic companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year, until the statutory surplus reserve is not less than 50% of its registered capital. In addition, at the discretion of the respective boards of directors, these companies may allocate a portion of their post-tax profits to the staff welfare and bonus reserve and discretionary surplus reserve. PRC subsidiaries incorporated as Sino-foreign equity joint venture companies may allocate a portion of their statutory post-tax profits to the statutory reserves at the discretion of the respective boards of directors.

The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies.

21 DEFERRED GOVERNMENT GRANTS – GROUP

	2010 **RMB'000**	2009 RMB'000
At 1 January	**3,239**	5,956
Amortisation, credited into other income	**(3,239)**	(2,717)
At 31 December	**–**	3,239
At end of year		
Cost	**13,371**	13,371
Accumulated amortisation	**(13,371)**	(10,132)
Net book amount	**–**	3,239

22 TRADE AND BILLS PAYABLES – GROUP

	2010 RMB'000	2009 RMB'000
Trade payables		
– to independent third parties	**1,001,325**	462,272
– to related parties (Note 37(b))	**16,458**	43,130
	1,017,783	505,402
Bills payable		
– to independent third parties	**2,201**	1,989
	1,019,984	507,391

The credit terms granted by suppliers to the Group are usually 30 to 45 days. The ageing analysis of trade payables is as follows:

	2010 RMB'000	2009 RMB'000
Trade payables		
– Within 180 days	**1,009,374**	497,751
– 181 to 365 days	**5,092**	5,060
– Over 1 year	**3,317**	2,591
	1,017,783	505,402

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

23 OTHER PAYABLES AND ACCRUALS – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for promotion and advertising expenses	**575,055**	434,244	**–**	–
Advance receipts from customers	**386,355**	229,417	**–**	–
Salary and welfare payables	**218,143**	188,059	**1,047**	1,656
Payables for purchase of equipment	**119,571**	73,874	**–**	5,969
Quality guarantee deposits from suppliers	**104,701**	64,177	**–**	–
Payables for transportation fee	**101,002**	38,966	**–**	–
Other taxes and levies payable	**16,709**	33,544	**–**	–
Others	**134,106**	79,515	**2,455**	2,342
	1,655,642	1,141,796	**3,502**	9,967

The carrying amounts of other payables and accruals approximate their fair values as at the balance sheet dates.

24 BORROWINGS – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current:				
Short term bank borrowings				
– unsecured	**165,639**	–	**79,472**	–

The carrying amounts of the borrowings of the Group and Company as at 31 December 2010 were denominated in USD and approximated their fair values as at the balance sheet date. The borrowings of the Group were at floating interest rates and the effective weighted average interest rate at year end was 1.94% per annum.

24 BORROWINGS – GROUP AND COMPANY – CONTINUED

The Group and Company has the following undrawn bank borrowing facilities:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB facilities	**1,227,815**	988,366	**–**	–
USD facilities	**643,395**	290,198	**19,868**	–
HKD facilities	**–**	22,013	**–**	–
	1,871,210	1,300,577	**19,868**	–

All of the Group and Company's undrawn bank borrowing facilities will expire within one year with floating rate.

25 OTHER GAINS – NET

	2010	2009
	RMB'000	RMB'000
Gain on disposal of available-for-sales financial assets	**40,161**	14,310
Gains/(losses) on disposal of property, plant and equipment, net	**8,061**	(2,253)
Gain on disposal of a jointly controlled entity	**–**	1,290
Others	**7,626**	1,840
	55,848	15,187

26 OTHER INCOME

	2010	2009
	RMB'000	RMB'000
Government grants	**30,740**	29,944
Sales of raw materials	**22,940**	14,680
Rental income from lease of property, plant and equipment (Note 7)	**4,746**	2,395
Consultation service income	**2,064**	3,507
Dividend income from available-for-sales financial assets	**10,500**	10,405
Others	**3,972**	1,335
	74,962	62,266

The government grants income represent both the amortisation of deferred government grants (Note 21) and other subsidy income received from various local governments as rewards to the operation of certain subsidiaries.

27 EXPENSES BY NATURE

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

	2010 RMB'000	2009 RMB'000
Raw materials, packaging materials, consumables and purchased commodity used	**7,056,622**	4,502,230
Changes in inventories of finished goods	**232,135**	41,435
Manufacturing outsourcing expenses	**274,724**	164,146
Promotion and advertising expenses	**1,425,747**	1,209,764
Employee benefit expenses, including directors' emoluments (Note 28)	**1,334,625**	1,016,162
Transportation expenses	**655,933**	472,878
Amortisation of leasehold land (Note 6)	**4,704**	4,152
Depreciation of property, plant and equipment (Note 7)	**363,699**	315,331
Amortisation of intangible assets (Note 8)	**3,492**	3,073
Operating lease in respect of buildings	**106,415**	84,815
Property tax and other taxes	**36,718**	31,656
Reversal of provision for impairment of property, plant and equipment (Note 7)	**(65)**	(505)
Reversal of provision for impairment of other receivables (Note 16)	**(31,247)**	–
Write-down of inventories to net realisable value (Note 14)	**8,556**	636
Provision/(reversal of provision) for impairment of trade receivables (Notes 15)	**1,677**	(825)
Auditors' remunerations	**6,264**	6,433
Others	**683,358**	567,908
Total	**12,163,357**	8,419,289

28 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2010 RMB'000	2009 RMB'000
Wages and salaries	1,117,750	873,655
Pension and other social welfare	137,161	108,206
Staff quarters and housing benefit	38,978	26,591
Other benefit	40,736	7,710
	1,334,625	1,016,162

(a) Directors' emoluments

During the years ended 31 December 2010 and 2009, the remuneration of directors of the Company is as follows:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Travelling allowance RMB'000	Total RMB'000
2010				
Executive directors				
Mr. Lo Chih-Hsien（羅智先）	53	1,334	6	1,393
Mr. Lin Wu-Chung（林武忠）	46	1,695	6	1,747
Non-executive directors				
Mr. Kao Chin-Yen（高清愿）	86	–	–	86
Mr. Lin Chang-Sheng（林蒼生）	73	–	6	79
Mr. Lin Lung-Yi（林隆義）	87	–	6	93
Mr. Su Tsung-Ming（蘇崇銘）	40	–	–	40
Independent Non-executive directors				
Mr. Chen Sun-Te（陳聖德）	238	–	–	238
Mr. Fan Ren-Da（范仁達）	238	–	–	238
Mr. Hwang Jenn-Tai（黃鎮台）	132	–	–	132
Mr. Yang Ing-Wuu（楊英武）	199	–	–	199
Mr. Peter Lo（路嘉星）	238	–	–	238
	1,430	3,029	24	4,483

28 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS – CONTINUED

(a) Directors' emoluments – Continued

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Travelling allowance RMB'000	Total RMB'000
2009				
Executive directors				
Mr. Lo Chih-Hsien（羅智先）	55	327	6	388
Mr. Lin Wu-Chung（林武忠）	48	1,307	6	1,361
Non-executive directors				
Mr. Kao Chin-Yen（高清愿）	89	–	–	89
Mr. Lin Chang-Sheng（林蒼生）	75	–	6	81
Mr. Lin Lung-Yi（林隆義）	75	–	6	81
Mr. Su Tsung-Ming（蘇崇銘）	41	–	–	41
Independent Non-executive directors				
Mr. Chen Sun-Te（陳聖德）	205	–	–	205
Mr. Fan Ren-Da（范仁達）	205	–	–	205
Mr. Hwang Jenn-Tai（黃鎮台）	205	–	–	205
Mr. Yang Ing-Wuu（楊英武）	205	–	–	205
Mr. Peter Lo（路嘉星）	205	–	–	205
	1,408	1,634	24	3,066

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the year ended 31 December 2010 include two (2009: one) director, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: four) individuals during the year are as follows:

	2010	2009
Basic salaries, housing allowances, other allowances and benefits in kind (RMB'000)	**2,989**	3,762
In the band of:		
Nil to HKD1,000,000 (equivalent Nil to RMB851,000)	**1**	2
HKD1,000,001 to HKD2,000,000 (equivalent RMB851,001 to RMB1,702,000)	**2**	2

29 FINANCE INCOME – NET

	2010 RMB'000	2009 RMB'000
Finance income – interest income on cash and cash equivalents	59,807	50,824
Interest expenses on short-term bank borrowings	(980)	(581)
Net foreign exchange losses	(3,625)	(3,285)
Finance costs	(4,605)	(3,866)
Finance income – net	55,202	46,958

30 INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
Current tax		
– Current tax on profit for the year	178,978	196,728
– Withholding tax on profit distributed by a PRC subsidiary	11,500	–
Deferred tax (Note 13)	(27,081)	(5,139)
	163,397	191,589

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

Effective from 1 January 2008, the Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") in accordance with the New CIT Law as approved by the National People's congress on 16 March 2007 and the Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007. According to the New CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises would be unified at 25% effective from 1 January 2008. For enterprises which were established before the publication of the New CIT Law and entitled to preferential treatments of reduced CIT rates granted by relevant tax authorities, the new CIT rate will be gradually increased from the preferential rates to 25% within 5 years after 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires. For enterprises that have not yet benefited from such preferential policies due to their accumulated loss positions, the preferential policies shall be deemed to commence from the 2008 tax year to kick-start the grandfathering period.

According to the New CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 10% (or 5% for the foreign investor which is incorporated in HongKong or other places as stipulated by the New CIT Law) upon the distribution of such profits to foreign investors.

30 INCOME TAX EXPENSE – CONTINUED

Subsidiaries incorporated in Taiwan and Hongkong are subject to income tax at the prevailing rates of 25% and 16.5% (2009: 25% and 16.5%) respectively.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2009: 25%) applicable to profits of the consolidated entities as follows:

	2010 RMB'000	2009 RMB'000
Profit before income tax	**682,465**	896,471
Tax calculated at the statutory tax rate in the PRC	**170,616**	224,118
Tax effects of:		
Preferential tax rates on the profit of certain subsidiaries	**(26,559)**	(49,386)
Tax losses for which no deferred tax asset was recognised	**23,763**	18,993
Share of the results of jointly controlled entities and associates	**(17,256)**	(20,685)
Expenses not deductible for tax purpose	**1,201**	1,430
Withholding tax on estimated earnings expected to be distributed by PRC subsidiaries	**11,632**	17,119
Income tax expense	**163,397**	191,589

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2010			2009		
	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000
Transfer of fair value (gain)/loss, net of tax, previously taken to reserve to income statement upon disposal of available-for-sale financial assets	**(27,279)**	**–**	**(27,279)**	10,461	–	10,461
Net fair value gains						
– Available-for-sale financial assets	**67,967**	**(1,587)**	**66,380**	140,771	(359)	140,412
Movements upon reclassification of an investment from available-for-sale financial asset to associate:						
– Transfer of fair value loss on available-for-sale financial asset previously taken to reserve	**–**	**–**	**–**	13,182	(1,858)	11,324
– Share of pre-acquisition profits and reserves of associate	**–**	**–**	**–**	16,114	–	16,114
Other comprehensive income	**40,688**	**(1,587)**	**39,101**	180,528	(2,217)	178,311
Deferred tax (Note 13)		**(1,587)**			(2,217)	
		(1,587)			(2,217)	

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately RMB363,998,000 (2009: a profit of approximately RMB324,099,000) (Note 20).

32 EARNINGS PER SHARE

Basic

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

	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**519,068**	704,882
Weighted average number of ordinary shares in issue (thousands)	**3,599,445**	3,599,445
Basic earnings per share (RMB per share)	**14.42 cents**	19.58 cents

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

33 DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Proposed final dividend of RMB4.326 cents (2009: RMB5.875 cents) per ordinary share	**155,712**	211,468
Proposed special dividend of RMB0.00 cents (2009: RMB3.917 cents) per ordinary share	**–**	140,990
	155,712	352,458

The directors of the Company recommend the payment of a final dividend of RMB4.326 cents (2009: RMB5.875 cents) and no special dividend (2009: RMB3.917 cents) per ordinary share, totalling approximately RMB155,712,000 (2009: RMB352,458,000) for the year ended 31 December 2010. Such dividends are to be approved by the shareholders of the Company at the Annual General Meeting to be held on 19 May 2011. These consolidated financial statements do not reflect these dividends payable.

34 CASH GENERATED FROM OPERATIONS

	2010 RMB'000	2009 RMB'000
Profit before income tax	682,465	896,471
Adjustments for:		
– Share of profits of jointly controlled entities and associates	(69,026)	(82,739)
– Gains on disposal of available-for-sales financial assets (Note 25)	(40,161)	(14,310)
– Gains on disposal of a jointly controlled entity	–	(1,290)
– Gains on disposal of a financial product	–	(315)
– Amortisation of leasehold land (Note 6)	4,704	4,152
– Depreciation of property, plant and equipment (Note 7)	363,699	315,331
– Amortisation of intangible assets (Note 8)	3,492	3,073
– (Gains)/losses on disposal of property, plant and equipment (Note 25)	(8,061)	2,253
– Reversal of provision for impairment of property, plant and equipment (Note 7)	(65)	(505)
– Write-down of inventories to net realisable value (Note 14)	8,556	636
– Provision/(reversal of provision) for impairment of trade receivables (Note 15)	1,677	(825)
– Reversal of provision for impairment of other receivables (Note 16)	(31,247)	–
– Interest income (Note 29)	(59,807)	(50,824)
– Interest expenses (Note 29)	980	581
– Foreign exchange losses (Note 29)	3,625	3,285
– Dividend income from available-for-sales financial assets (Note 26)	(10,500)	(10,405)
	850,331	1,064,569
Changes in working capital:		
– Decrease/(increase) in pledged bank deposits	19,954	(13,824)
– Increase in trade receivables	(129,914)	(50,424)
– Increase in prepayments, deposits and other receivables	(256,839)	(33,122)
– Increase in other non-current receivables	(287,020)	–
– Increase in inventories	(459,715)	(137,157)
– Increase/(decrease) in trade and bills payables	512,593	(5,612)
– Increase in other payables and accruals	464,903	265,217
Cash generated from operations	714,293	1,089,647

35 CONTINGENT LIABILITIES

	2010 RMB'000	2009 RMB'000
Guarantees to a related party	**199,010**	206,820

The Group provides guarantees for the bank borrowings and finance leases of Jinmailang Corporate, an associate of the Group (Note 11). As at 31 December 2010, Jinmailang Corporate has drawn down bank borrowings and entered into financial leases under such guarantee with total amount of RMB199,010,000 (2009: RMB206,820,000).

36 COMMITMENTS

(a) Capital commitments

The Group's capital commitments in respect of property, plant and equipment are as follows:

	2010 RMB'000	2009 RMB'000
Contracted but not provided for	**134,276**	74,235
Authorised but not contracted for	**2,187,887**	456,723
	2,322,163	530,958

There is no capital commitment of the Company as at 31 December 2010.

(b) Operating lease commitments

The Group is the lessee:

The Group leases buildings under non-cancellable lease agreements. The Group's future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	2010 RMB'000	2009 RMB'000
Not later than 1 year	**17,067**	13,777
Later than 1 year and not later than 5 years	**14,131**	18,445
	31,198	32,222

36 COMMITMENTS – CONTINUED

(b) Operating lease commitments – Continued

The Group is the lessor:

The Group leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The future aggregate minimum rental receivables under these non-cancellable operating leases are as follows:

	2010 **RMB'000**	2009 RMB'000
Not later than 1 year	**945**	945
Later than 1 year and not later than 5 years	**1,890**	2,835
	2,835	3,780

(c) Investment commitments

As at 31 December 2010, the Group has following significant commitments in respect of capital contribution to investments:

(i) Pursuant to a subscription agreement entered into in November 2010, the existing shareholders of Wondersun Dairy agreed to subscribe additional shares in proportion of their respective equity interests. As at 31 December 2010, the Group has made additional capital contributions of approximately RMB51,665,000 to Wondersun Dairy, representing 50% of the committed new subscription of share capital. The remaining commitment of investment of approximately RMB51,665,000 is payable no later than 30 November 2011.

(ii) In April 2009, the Group together with other investors set up a Sino-foreign joint venture company in the PRC, China F&B, for the purpose of investments in companies engaging in food and beverage business in the PRC. The Group has agreed to subscribe, in aggregate, 39.74% of the registered capital of China F&B at a total subscription price of RMB245,000,000. As at 31 December 2010 and up to the date of approval of these consolidated financial statements, the Group has made capital injection of RMB73,500,000, with the remaining investment commitment of RMB171,500,000.

(iii) In August 2010, the Group entered into an agreement with the other shareholder in respect of further capital injection to Guilin Ziquan, a jointly controlled entity of the Group. Pursuant to the agreement, the Group and the other shareholder will increase the capital of Guilin Ziquan by an aggregate of USD7,200,000 (approximately RMB47,683,000) and the Group will contribute USD3,240,000 (approximately RMB21,457,000) to the registered capital of Guilin Ziquan. Up to the date of approval of these consolidated financial statements, such investment commitment has been fully paid up by the Group.

(iv) In December 2010, the Group entered into an agreement with a third party in respect of the establishment of a joint venture company in Wuhan, the PRC for the purpose of production of PET bottle mould products for the Group. Pursuant to the agreement, the Group has agreed to subscribe, in aggregate, 50% of the total registered capital of the joint venture company at a total subscription price of USD10,000,000 (approximately RMB66,227,000). As at 31 December 2010 and up to the date of approval of these consolidated financial statements, the Group has not made such capital payment.

37 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.

The ultimate parent company of the Group is 統一企業股份有限公司 (Uni-President Enterprises Corporation*) ("Uni-President"), a company listed on the Taiwan Stock Exchange. The directors of the Company are of the view that the subsidiaries of Uni-President, the jointly controlled entities and associates of the Group are regarded as related parties.

(a) Transactions with related parties:

The following transactions are carried out with related parties:

	Note	2010 RMB'000	2009 RMB'000
Sales of goods:	(i)		
Subsidiaries of Uni-President		**62,755**	54,680
Jointly controlled entities of the Group		**23**	–
An associate of the Group		**8,414**	29
		71,192	54,709
Purchase of raw materials and finished goods:	(i)		
Subsidiaries of Uni-President		**623,033**	564,010
Jointly controlled entities of the Group		**87,576**	–
Associates of the Group	(ii)	**63,985**	38,208
		774,594	602,218
Consultation service income:	(iii)		
Subsidiaries of Uni-President		**396**	335
A jointly controlled entity of the Group		**–**	2,500
An associate of the Group		**672**	672
		1,068	3,507
Rental income:	(iv)		
Subsidiaries of Uni-President		**5,502**	2,295

Notes:

(i) The above sales and purchases are carried out in accordance with the terms of the underlying agreements.

(ii) In year 2010, Jinmailang Corporate became an associate of the Group. The corresponding transactions for the year ended 31 December 2009 were presented for comparative purpose.

(iii) Consulting service income from related parties represents management consulting services, IT system maintenance support and staff training service and is charged in accordance with the terms of agreements made between the parties.

(iv) Rental income represents income from lease of property and is charged in accordance with the terms of agreements made between the parties.

* The English name represents the best effort by management of the Company in translating the Chinese name.

37 RELATED PARTY TRANSACTIONS – CONTINUED

(b) Balances with related parties:

The Group has the following significant balances with its related parties as at 31 December 2010:

	Note	2010 RMB'000	2009 RMB'000
Balances due from related parties:			
Trade receivables (Note 15):			
Subsidiaries of Uni-President		**6,541**	5,060
Prepayments and other receivables (Note 16):			
Subsidiaries of Uni-President		**2,893**	18,140
Associates of the Group	(i)	**61,795**	56
Jointly controlled entities of the Group		**140**	–
		64,828	18,196
Total		**71,369**	23,256
Balances due to related parties:			
Trade payables (Note 22):			
Subsidiaries of Uni-President		**11,839**	43,130
Jointly controlled entities of the Group		**3,774**	–
An associate of the Group		**845**	–
Total		**16,458**	43,130

Note:

(i) In year 2010, Jinmailang Corporate became an associate of the Group. The corresponding balances as at 31 December 2009 were presented for comparative purpose.

Other than the balances due from an associate at an weighted average interest rate of 5.41% per annum and repayable no later than July 2011, the remaining balances due from and due to related parties are unsecured, non-interest bearing and have no fixed repayment terms. The carrying amounts of balances due from and due to related parties approximate their fair value as at balance sheet dates.

(c) Key management compensation:

	2010 RMB'000	2009 RMB'000
Salaries, bonus and other welfares	**6,999**	5,780

38 SUBSIDIARIES

The following sets out the details of the principal subsidiaries of the Company as at 31 December 2010.

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2010	Equity interest held 2009	Principal activities/place of operation
Directly owned					
Uni-President Asia Holdings Ltd.	Cayman Islands, 29 June 2006	USD235,770,000	**100%**	100%	Investment holding/Cayman islands
Indirectly owned					
統一企業(中國)投資有限公司 (Uni-President Enterprises (China) Investments Ltd.*)	Shanghai, PRC. 10 March 1998	USD476,620,000	**100%**	100%	Investment holding/PRC
新疆統一企業食品有限公司 (Xinjiang President Enterprises Food Co., Ltd.*)	Urumqi, PRC. 13 January 1992	USD25,500,000	**100%**	100%	Manufacturing and sale of beverages, foods and instant noodles/PRC
北京統一食品有限公司 (Beijing President Enterprises Food Co., Ltd.*)	Beijing, PRC. 2 April 1992	USD23,400,000	**100%**	100%	Manufacturing and sale of instant noodles/PRC
成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*)	Chengdu, PRC. 14 April 1993	USD50,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
昆山統一企業食品有限公司 (Kunshan President Enterprises Food Co., Ltd.*)	Kunshan, PRC. 14 May 1993	USD69,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
武漢統一企業食品有限公司 (Wuhan President Enterprises Food Co., Ltd. *)	Wuhan, PRC. 7 July 1993	USD44,600,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
廣州統一企業有限公司 (Guangzhou President Enterprises Corp.*)	Guangzhou, PRC. 5 December 1994	USD60,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
沈陽統一企業有限公司 (Shenyang President Enterprises Co., Ltd.*)	Shenyang, PRC. 15 June 1995	USD29,900,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC

38 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2010	Equity interest held 2009	Principal activities/place of operation
合肥統一企業有限公司 (Hefei President Enterprises Co., Ltd.*)	Hefei, PRC. 23 February 1998	USD20,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
哈爾濱統一企業有限公司 (Harbin President Enterprises Co., Ltd.*)	Harbin, PRC. 26 February 1998	USD25,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
北京統一飲品有限公司 (Beijing President Enterprises Drinks Co., Ltd.*)	Beijing, PRC. 20 February 2001	USD17,500,000	**100%**	100%	Manufacturing and sale of beverages/PRC
南昌統一企業有限公司 (Nanchang President Enterprises Co., Ltd.*)	Nanchang, PRC. 18 May 2001	USD22,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
福州統一企業有限公司 (Fuzhou President Enterprises Co., Ltd.*)	Fuzhou, PRC. 19 July 2001	USD20,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
四川弘通商貿有限責任公司 (Sichuan Hongtong Commercial Trading Co., Ltd.*)	Chengdu, PRC. 5 February 2002	RMB2,000,000	**100%**	100%	Wholesale of beverages, instant noodles and food products/PRC
鄭州統一企業有限公司 (Zhengzhou President Enterprises Co., Ltd.*)	Zhengzhou, PRC. 25 June 2002	USD37,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
廣州統一健康食品科技有限公司 (Guangzhou President Health Biotechnology Corp. *)	Guangzhou, PRC. 4 November 2003	USD8,500,000	**100%**	100%	Manufacturing and sale of beverages/PRC
統一(上海)商貿有限公司 (President (Shanghai) Trading Co., Ltd.*)	Shanghai, PRC. 17 October 2005	USD8,600,000	**100%**	100%	Trading of beverages, instant noodles and food products/PRC
統仁實業股份有限公司 (Tong Ren Corp. Limited.*)	Taiwan 28 December 2006	NTD1,000,000	**100%**	100%	Human resource management/Taiwan
昆明統一企業食品有限公司 (Kunming President Enterprises Food Co., Ltd.*)	Kunming, PRC. 8 November 2007	USD30,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC

38 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2010	Equity interest held 2009	Principal activities/place of operation
皇茗資本有限公司 (Champ Green Capital Limited.*)	Hong Kong 5 June 2008	HKD11,640,000	**100%**	100%	Investment holding/Hong Kong
巴馬統一企業有限公司 (Bama President Enterprises Co., Ltd.*)	Bama, PRC. 20 February 2009	USD4,150,000	**100%**	100%	Manufacturing and sale of beverages/PRC
統一企業香港控股有限公司 (Uni-President HongKong Holdings Ltd.*)	Hong Kong 30 April 2009	HKD155,400,100	**100%**	100%	Investment holding and trading
皇茗企業管理咨詢(上海)有限公司 (Champ Green (Shanghai) Consulting Co, Ltd.*)	Shanghai, PRC. 12 May 2009	USD150,000	**100%**	100%	Management Consulting
資溪統一企業飲品有限公司 (Zixi President Enterprises Drinks Co., Ltd.*)	Zixi, PRC. 9 March 2010	USD 1,000,000	**100%**	–	Manufacturing and sale of beverages/PRC
長沙統一企業有限公司 (Changsha President Enterprises Co., Ltd.*)	Changsha, PRC. 1 September 2010	USD12,750,000	**100%**	–	Manufacturing and sale of beverages and instant noodles/PRC
成都統一巧面館餐飲文化有限公司 (Chengdu unifies the skillful noodle restaurant dining culture limited Company*)	Chengdu, PRC. 24 August 2010	RMB1,000,000	**100%**	–	Catering services/PRC
湛江統一企業有限公司 (Zhanjiang President Enterprises Co., Ltd.*)	Zhanjiang, PRC. 28 October 2010	USD2,560,700	**100%**	–	Manufacturing and sale of beverages and instant noodles/PRC
南寧統一企業有限公司 (Nanning President Enterprises Co., Ltd.*)	Nanning, PRC. 16 November 2010	USD3,457,866	**100%**	–	Manufacturing and sale of beverages and instant noodles/PRC

All subsidiaries located in the PRC, Taiwan and Hong Kong are limited liability entities. One subsidiary incorporated in Cayman Islands is an exempted company with limited liability.

* The English name represents the best effort by management of the Company in translating the Chinese name.

UNI-PRESIDENT CHINA HOLDINGS LTD.
統一企業中國控股有限公司*

(a company incorporated in the Cayman Islands with limited liability)
(一家於開曼群島註冊成立的有限公司)
(Stock Code 股份編號: 220)