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)
（於開曼群島註冊成立的有限公司）

(Stock Code 股份編號: 220)

2008 Annual Report 年報

*For identification purpose only
僅供識別

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Corporate Information

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

Registered office
P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Head office
33/F, Zhaofeng Plaza
1027 Changning Road
Shanghai
China

Place of business in Hong Kong
Suite 803, Sino Plaza,
255-257
Gloucester Road,
Causeway Bay,
Hong Kong

Website address
www.upch.com.cn

Company secretary
Chan Pei Cheong, Andy

Qualified accountant
Chan Pei Cheong, Andy

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

Nomination committee
Mr. Hwang Jenn-Tai *(Chairman)*
Mr. Fan Ren-Da, Anthony
Mr. Lo Chih-Hsien

Remuneration committee
Mr. Chen Sun-Te *(Chairman)*
Mr. Hwang Jenn-Tai
Mr. Lin Chang-sheng

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
Arculli Fong & Ng
In association with King & Wood (PRC lawyers)
9/F Hutchison House
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

Financial Summary

Summary of Results

	Year ended 31 December				
	2008 **RMB'000**	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Revenue	**9,241,571**	8,656,777	7,883,692	6,537,450	5,691,258
Gross profit	**3,155,718**	2,914,680	2,327,940	2,154,221	1,842,229
Profit before income tax	**442,148**	484,466	175,546	279,362	205,595
Income tax expense	**(98,307)**	(60,461)	(29,476)	(24,907)	(20,392)
Profit for the year	**343,841**	424,005	146,070	254,455	185,203
Profit attributable to equity holders of the Company	**343,841**	424,005	146,070	254,455	185,203
Dividends	**171,909**	–	–	27,692	12,017
	RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Basic earnings per share	**9.56**	14.04	4.87	8.48	6.17

	As at 31 December				
	2008 **RMB'000**	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Total assets	**7,124,981**	6,955,079	4,606,570	4,495,351	3,726,424
Total liabilities	**1,382,439**	1,770,252	2,074,340	1,972,994	1,438,139
Total equity	**5,742,542**	5,184,827	2,532,230	2,522,357	2,288,285
Cash and cash equivalent	**3,272,859**	3,411,868	841,123	683,149	597,809
Net current assets/(liabilities)	**2,825,641**	2,585,485	(177,691)	221,380	81,780

Chairman's Statement

Amid the current steep downturn of the global economy, the three major economies of the world namely the United States, Europe and Japan are all in recession. For the PRC, the measures to stimulate domestic demand put in place by the government has started to yield results, and its GDP is still likely to record growth. We remain optimistic that the market for instant products will have a positive growth generally. Looking into 2009, as the global economy is not expected to turnaround in the near term, and despite the PRC may sustain an economic growth under the government's policies to expand domestic demand, the operation of enterprises will continue to face considerable challenges and adaptation issues.

Every economic crisis is a survival of the fittest test for business operations. Those who can adapt and restructure their operation more rapidly will remain and come out of the crisis stronger. Having operated and been exposed to tests in the China market for years, the operation team of Uni-President China Holdings Ltd. ("**Uni-President China**" or the "**Company**", together with its subsidiaries, the "**Group**") has gained extensive management experience and has the confidence to overcome this crisis. Since the third quarter of 2006, the Company has expedited the implementation of internal reforms and commenced a comprehensive restructuring of its operations. Although there are still many rooms for optimization, our improvement effort in the past two years has achieved results as indicated in an elevation of our overall competitiveness gradually. During 2008, under the influence of the business environment including the financial crisis, Uni-President China's operation encountered a number of impacts such as exchange loss which was beyond our control and dispute over receivables. As a result, our achievement of expected targets was affected. Nevertheless, our ongoing operation revenue sustained a stable growth on the whole and drove a continuous increase in our operational gross profit.

Uni-President China now enjoys a solid foundation, sound financial condition, core competitive advantages and robust operation and management capabilities. To achieve the operational targets set up by the board of directors of the Company, in 2009, we will seek to capture opportunities that may arise during this extraordinary financial crisis. We will also expand our market through the optimization of our organizational capability. To this end, we will accelerate internal restructuring, continually optimize our human resources and operation, improve product mix and enhance management and internal control. We are also implementing a more proactive appraisal and job rotation system to lift the quality and competitiveness of our staff. Meanwhile, in preparation for market opportunities after the crisis, we will integrate internal resources more effectively and allocate more resources to the construction of our production base and to investments. The following is a summary of our missions for 2009:

Further restructuring of our organization and operations

In order to enhance the service capability of our operation units and to facilitate a better alignment of our products with customers' preferences, we have been implementing an organizational restructuring program since 2007. We have set our targets in the program as to further develop the PRC market, construct effective sales platforms and enhance our service capability. At the same time, we have also implemented a business unit profit center system to enhance the operation capability of our product segments.

Chairman's Statement

In reviewing of the restructuring taken place during the two years of 2007 and 2008, the Company has not only achieved expected targets in organizational restructuring, but also made sustaining and solid progress in its business, and improved its profitability substantially.

Looking forward to 2009, we will continue to implement the restructuring of our organization and operation as planned and enhance our core competitiveness. Our aim is to have our various operation functions attaining a professional and systematic management standard in our future operation.

Continual operational improvement and enhancing our capability

In 2008, revenue of the Group reached RMB9,241.6 million, representing an increase of approximately 6.8% over that of 2007. Due to product mix adjustment, revenue of instant noodle only amounted to RMB2,255.0 million, decreasing approximately 7.8% from 2007. The revenue of beverage was RMB6,940.3 million, representing an increase of approximately 13.0% when compared to 2007. The revenue of other business was RMB46.3 million, falling approximately 32.2% from 2007.

Affected by negative impacts such as one-off provisions, the overall profit of the Group in 2008 decreased by 18.9% from 2007 to RMB343.8 million. Although the prices of many raw materials start declining in 2009 due to the financial crisis, and the gross margin structure of various segments have improved, such external factor cannot be relied on in the long run. As such, we will still take the continual optimization of product and profit as the most important indicator for the performance appraisal of various segments. We will also control our cost more strictly and incorporate cost control into performance appraisal throughout the Group as a measure to improve operation and further enhance our comprehensive effectiveness.

Strengthening market position and expanding market

A full-scale product mix adjustment was conducted in the instant noodle business unit to optimize its operational structure in the long run. The result of such adjustment can be seen since the fourth quarter of 2008 as the operation result and profit of the business unit have been moving in the direction we expected. Leveraging on our core techniques, we will launch more prime products at appropriate times in 2009 to meet consumers' demand for higher quality.

Tea products segment continued to improve its products in 2008. We increased our exposure in nation-wide and local TV and online media. We adhered to the building of brand value and awareness through extensive interaction with target customer groups and penetration into the massive market of second and third tier cities in the PRC. On the basis of achieving a substantial increase of market share in 2008, we will continue our effort to increase the market share and to increase the profit of our tea products in 2009.

Chairman's Statement

The operation of juice products started to rebound during the second half of 2008, and the refinement of "More" brand of orange juice (鮮橙多) was well received by the market. Under our diversification strategy, our "More" brand of peach juice (蜜桃多) has gained a leading position in both first and second tier cities in the PRC. During 2008, we introduced 100% tomato juice in major coastal cities to satisfy the needs of health-conscious consumers. For 2009, we will continue our product diversification strategy and launch more juice products to accelerate market expansion and channel establishment.

For packed water, its product mix and profit structure had improved in 2008 resulting in a turnaround from previous loss. Looking forward, we will introduce products with higher quality to meet the demand for quality of consumers in cities. The operation of milk tea and coffee has been stable with slight improvement in 2008. We will continue refining quality and product mix with the aim of achieving an even better result in 2009. As the GDP per capita of Guangdong Province in southern China has broken through the USD3,000 level, a fundamental change in consumption pattern will emerge and the demand for refrigerated products will increase gradually. We will remain focused in the operation of refrigerated products segment in Guangdong.

Goals & Strategies

The business goal of Uni-President China is "to provide safe, healthy and enjoyable products for consumers and to maximize shareholders' value". The following key principles will serve as the foundation for our long term growth strategy:

1. To become a domestic model enterprise through love and care:

   To become a localized enterprise operating in harmony with the society and environment. To promote prosperity and development of the local economy through love and care.

2. Create competitive advantages using our existing network:

   Our portfolio of products targets specific markets and our various distribution channels have come together to form unique networks complementing our operations. With such synergy, the Group should be able to create competitive strengths.

3. Customer satisfaction comes first:

   We will continue to be responsive to changes in market conditions. We have established an effective customer feedback channel for gathering first hand customer information to implement our 'customer-oriented' marketing vision.

4. Propagation and maintenance of core corporate values:

   We observe the values of being honest, diligent, innovative, proactive and healthy; these have become the benchmarks for our behaviour and conduct. We should be strong, upright, cheerful, humble, selfless, sincere and morally-committed, show respect to our profession, have team spirit and always express our gratitude to society.

Chairman's Statement

5. Optimal mix of local talent and international management:

   We select and cultivate local talent in order to maximize and make use of its ability, whilst internationalizing our operations team, which must be competent in international management.

6. A strategy-and-quality-focused operational management system:

   We will adhere to the vision of setting a leading strategy and placing utmost importance on product quality. We will closely monitor internal and external growth opportunities related to our core operations, and consolidate and expand our market.

Acknowledgement

Thanks to the support and efforts from our stakeholders, the Company has been able to attain sustainable growth over the years. On behalf of the board of directors of the Company, I would like to express our sincere thanks for the generous support from our customers, suppliers, business partners and shareholders, and in particular, I would like to express our gratitude to our staff for their efforts and contributions over the past year.

Lo Chih-Hsien
Chairman

Tainan, Taiwan
16 April 2009

Management Discussion & Analysis

Overview

The Group strived to overcome the impact on the Group's business due to the economic correction as a result of the enormous natural disasters in the country and the global financial crisis with its corporate resilience and extensive operational and management experience.

Market Review

In 2008, the total retail sales of consumer goods in the PRC was RMB10,848.8 billion, representing a year on year growth of 21.6%, the total retail sales of consumer goods in cities was RMB7,373.5 billion, representing an increase of 22.1% as compared to the year of 2007 and the total retail sales of consumer goods in counties and level below was RMB3,475.3 billion, representing an increase of 20.7% as compared to the year of 2007. The urbanization process has been driving a general and sustained growth in consumption, which is a favourable condition for the development of enterprises.

Under the influence of financial crisis, the PRC financial system has lowered bank deposit rates, which will in turn reduce the real income of citizens. Whether this will affect the consumption sentiment of households and individuals remains to be seen.

Towards the end of 2008, the melamine issue has aroused general concern over food safety again in the PRC. As a result, consumers will seek not only value for price products, but will increasingly consider the image of food enterprises. Only "honest and reliable enterprises" could attract more consumers in the future.

Financial Results

For the year ended 31 December 2008 ("the year under review"), the Group recorded revenue of RMB9,241.6 million, representing a growth of 6.8% from RMB8,656.8 million for the previous year. Revenue from our instant noodles and beverages products amounted to RMB2,255.0 million and RMB6,940.3 million respectively, decreasing by 7.8% and increasing by 13.0% as compared to the previous year and accounting for 24.4% and 75.1% respectively of the Group's total revenue. During the year under review, gross profit increased by 8.3% to RMB3,155.7 million and gross profit margin rose to 34.1% from 33.7% of the previous year. The slowdown of growth in revenue and gross profit during the year was mainly attributable to the Group operational environment which was affected by the external economic correction and the product mix adjustment on the instant noodles business, whilst growth in gross profit margin mainly reflected that revenue from tea drinks, which had a higher marginal gross profit, accounted for a larger proportion of the total revenue. Profit attributable to equity holders of the Company amounted to RMB343.8 million, representing a decrease of 18.9 % from RMB424.0 million of the previous year. During the year under review, earnings per share were RMB9.56 cents (2007: RMB14.04 cents). Facing the adjustment in economic environment, the performance of the Group during the year under review was still satisfactory, which was mainly attributable to the increase in revenue driven by the active optimization of marketing strategies, continuous improvement on product mix and deepened market development. As revenue increased, total operating expenses and overall staff costs of the Group also increased. The Group actively expanded its customer base in the past few years, thereby increasing selling and marketing expenses to RMB2,277.8 million for the year under review (2007: RMB2,147.7 million). Administrative expenses increased 58.0% to RMB416.2 million (2007: RMB263.4 million), which was mainly attributable to the loss provision for the two sugar supply contracts entered into with Guangdong Zhong Gu Tang Ye Group Company Limited (please refer to the announcement of the Company dated 23 January 2009 for details) and increase in the number of employees. As the Renminbi had appreciated by 6.4% during the year, and a considerable amount of deposits and certain borrowings held by the Group were denominated in foreign currencies, financing costs significantly increased to RMB76.7 million (2007: RMB17.7 million). In addition, share of loss of jointly controlled entities decreased to RMB0.7 million (2007: RMB40.8 million) due to Jinmailang Beverage (Beijing) Co., Ltd. turning loss into profit during the year under review.

Business Review

Instant Noodles

The sales result for 2008 realized approximately RMB2,255.0 million, representing a decrease of approximately 7.8% as compared with 2007. In 2008, we conducted a comprehensive product mix adjustment in our instant noodles business to optimize its operational structure. Since the fourth quarter of 2008, the average selling price and overall gross margin had increased substantially after the adjustment, which is the beginning of changes we are expecting. In 2009, we will continue to launch more high quality products at appropriate times, refine operation process, enhance management efficiency and strengthen interaction with customers of different segments. We will also continue to meet consumers' demand for high quality with our core techniques and build the image of being a leader in quality.

Juice Drinks

The sales result of juice drinks for 2008 was approximately RMB2,408.1 million, representing a decrease of approximately 7.0% as compared with 2007. During the Chinese New Year in the first half of the year, the sudden huge snow disaster in recent 50 years caused substantial decrease in number of people who went home for reunion, which led to decrease in consumption of juice drinks of big package with the concept of sharing happiness and thus resulted in temporary fall in results. These were the main reasons for downturn in results of 2008. The operation, however, started to rise again in the second half of 2008. The optimization of products of United orange juice (統一鮮橙多) received recognition from the market. There were three shining spots worth reporting on the operation of juice drinks in 2008: (i) elevation of brand name: the 27 cities nationwide marketing activity kickoff "統一鮮橙多2008中國(南航)新空姐招募大會" in the second and third quarter with road shows and television programs significantly enhanced our brand's reputation; (ii) upgrade and launching of new-era "More" brand orange juice (鮮橙多): the enhanced orange juice has a remarkable improvement in providing a real juice flavour and perfect balance in sourness and sweetness. Our "Excellent first squeeze orange juice"(第一道優橙原汁)product appeal was well received by consumers; and (iii) diversified choice: under our diversification policy, the "More" brand of peach juice (蜜桃多)has secured a leading position in first and second-tier cities in the PRC. In a survey of healthy products conducted in the fourth quarter, Uni-President juice drinks ranked higher than its peer in brand identity in respect of renowned brand, trustworthiness, choice of taste, advertisement/promotion activities. We launched 100% tomato juice in major coastal cities in 2008, providing health-conscious consumers another prime choice. Looking forward into 2009, our juice drinks operation will adhere to its diversification policy and launch more variety of juice drinks with supreme quality.

Tea Drinks

The sales result of tea drinks for 2008 was approximately RMB3,945.4 million, representing an increase of 29.5% as compared with 2007. The growth momentum of tea drinks in 2008 was brand enhancement and further development of second and third-tier markets. In 2008, tea drinks operation continued their effort in refining product package, and increased investment in nation-wide and local TV and network media, increasing the interaction with consumers extensively. This has promoted the brand value of Uni-President tea drinks and attracted consumers' preference. In 2009, we will keep on promoting the value of our brand further and expand the share market of our tea drinks.

Business Unit

We have built our sales platform in the following aspects in 2008: (i) strengthened the organization establishment and raised staff quality; (ii) continued in refining and computerizing sales management; (iii) improved the establishment of channels and accelerated sales channel sinking; (iv) consolidated operations in cities, and expanded other markets; and (v) promoted the establishment of an electronic information network platform for sales agents. In 2009, besides continuing the above works, we will set business unit as a profit center; strive to expand sales platform; develop and deepen channel operation; and improve the operation model of various channels in preparation for further growth.

Quality Control

Our research and development center in Kunshan is the research and development headquarters of the Group in the PRC, responsible for the research and development and quality assurance of various products for domestic and foreign markets. All our existing plants are equipped with ISO9001:2000 international quality management system and have obtained HACCP food safety and management certification. The food testing laboratory of the center has been recognized by the government since 2005. It is one of the few national testing laboratories in the industry meeting international standards in testing pesticide residues, preservatives, artificial colorants and heavy metal residues for food safety, and in analyzing nutrient ingredients including amino acids. The validity of our test reports are recognized by over 40 major economies, countries and regions. In 2009, we will develop more testing techniques, and strengthen qualification review, assessment and guidance for suppliers, to ensure that our consumers can enjoy safe products with leading quality at any time.

Prospects

Since the economic tsunami, China has launched a 4 trillion economic stimulus plan focusing on expanding domestic demand, as such, the Group remains positive on the macro-operational environment in the country in 2009. On the other hand, domestic consumers have raised their standards on food safety and consumption quality following a series of significant food safety incidents with far-reaching effects. The Group will turn adversity into opportunity by continuing to enhance the competitiveness of its renowned brands in the market and launching diversified and quality products; actively strengthening and expanding overseas markets, establishing a closer relationship with customers and consistently optimizing product mix, so as to increase the marginal profit of different products; aiming at a higher quality of internal operation, human resources and financial management to increase cost-effectiveness; establishing an independent profit centre for the logistic network to manage sales platforms effectively; and strictly implementing quality control procedures to ensure products are in compliance with safety standards, with a view to achieving its objectives such as striving for sustainable development and maintaining shareholders’ interests.

Financial Position

As at 31 December 2008, the Group had approximately RMB3,272.9 million (2007: approximately RMB3,411.9 million) cash and cash equivalent. Current assets amounted to approximately RMB4,202.1 million (2007: approximately RMB4,340.3 million) and current liabilities were approximately RMB1,376.5 million (2007: approximately RMB1,754.8 million). Contingent liabilities were approximately RMB246.7 million (2007: approximately RMB150.3 million). With net current assets of approximately RMB2,825.6 million (2007: approximately RMB2,585.5 million), the Group maintained strong liquidity. The Group's total borrowings comprised bank borrowings of approximately RMB8.6 million (2007: approximately RMB296.2 million), all of which were repayable within one year. The gearing ratios at 31 December of 2008 and 2007 were as follows:

	2008 **RMB'000**	2007 RMB'000
Total borrowings	**1,348,389**	1,730,245
Less: cash and cash equivalent	**(3,272,859)**	(3,411,868)
Net debt	**(1,924,470)**	(1,681,623)
Total equity	**5,742,542**	5,184,827
Total capital	**3,818,072**	3,503,204
Gearing ratio (negative)	**(50.40%)**	(48.00%)

(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 exercised its principles of financial prudence, which played an instrumental part against the backdrop of the current global financial tsunami. Notwithstanding that the business growth was slightly lower than expected during the year under review as a result of the domestic economic slowdown at the end of 2008 and the product mix adjustment of the Group, the Group continued to enjoy a strong financial standing with low gearing and a net cash position. The Group financed its operations and business development with a combination of internally generated resources, funds raised through the initial public offering in 2007 and banking facilities provided by its principal bankers. The borrowings of the Group were used by its subsidiaries and were interest-bearing loans. In light of the potential currency risks, the Group had converted large amount of bank deposits denominated in foreign currencies into Renminbi during the year.

Human Resources and Remuneration Policy

As at 31 December 2008, the Group had 18,439 employees, of whom approximately 1,131 were engineers or technicians who received education in professional institutions or holding higher qualifications. The companies within the Group enter into individual labour contracts with all of its employees, stipulating remuneration, statutory subsidies, employee benefits, workplace safety and hygienic conditions, confidentiality obligations and termination conditions. We provide bonus to employees who are innovative and with improved performance, as an incentive to encourage our staff to make more contribution to the Group. We arrange internal and external on-the job training for our employees. The scope of training programmes ranges from basic production methods to advanced skills training and professional management courses, with the aim to improve the productivity of staff at all levels. In accordance with the relevant social insurance laws in the PRC and regulations of local government, we insure for pension insurance, medical insurance, unemployment insurance and housing reserve fund for employees. To cover staff's living risk adequately, in addition to the above, we insure for employer responsibilities and subsidize employees' additional medical insurance covering out patient and hospitalization.

The Group has its labour union which is a member of the All-China Federation of Trade Unions. The labour union is responsible for organizing recreational activities, improving living quality of employees, acting as a bridge between the staff and the Group, and establishing a harmonious labour relation. We did not experience any strikes or labour disputes during the year.

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 2008.

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 39 to the financial statements.

An analysis of the Group’s performance for the year by business segments is set out in Note 6 to the financial statements.

Results

The results of the Group for the year are set out in the consolidated income statement on page 40 of the annual report.

Dividends

The Board recommends the payment of a final dividend of RMB2.866 cents per share and a special dividend of RMB1.910 cents per share for the financial year ended 31 December 2008. Details are set out in Note 34 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 8 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 2008, the Company’s distributable reserves calculated under Companies Law of the Cayman Islands comprise the share premium and contributed surplus, less accumulated losses totalling approximately RMB4,176,013,000.

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 25 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately RMB19 million (2007:RMB 7 million).

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
Hwang Jenn-Tai
Yang Ing-Wuu
Lo Peter

Report of the Directors

In accordance with Article 130 of the articles of association of the Company, Kao Chin-Yen, Lin Chang-Sheng, Chen Sun-Te and Mr. Fan Ren-Da, Anthony will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographies of the Directors proposed for re-election at the forthcoming annual general meeting ("Directors for Re-election") are set out on pages 23 to 26 of the annual report. Except as disclosed in such biographies, none of the Directors for Re-election has held any other directorships in any listed public companies in the last three years. Further, save as disclosed in such biographies, none of the Directors for Re-election has any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") and none of them is connected with any directors, senior management or substantial or controlling shareholders of the Company.

Each of the Directors for Re-election has signed an appointment letter with the Company with a term of three years. Mr. Kao Chin-Yen commenced his term as a non-executive Director on 8 August 2007 and Mr. Lin Chang-Sheng commenced his term as a non-executive Director on 4 July 2007. Each of Mr. Chen Sun-Te and Mr. Fan Ren-Da, Anthony commenced his term as an independent non-executive Director on 9 August 2007. None of the Directors for Re-election has entered into any service contract with the Company which does not expire within three years or which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

Mr. Kao Chin-Yen, Mr. Lin Chang-Sheng, Mr. Chen Sun-Te and Mr. Fan Ren-Da, Anthony will receive an annual remuneration of US$13,000, US$11,000, US$30,000 and US$30,000 respectively. The remuneration of each of the Directors for Re-election has been determined with reference to their duties, responsibilities and experience, and to prevailing market conditions.

Save as disclosed herein, there are no other matters relating to the Directors for Re-election that need to be brought to the attention of the shareholders of the Company nor there is any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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

As at 31 December 2008, 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 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 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 2008**
Uni-President Enterprises Corporation					
Kao Chin-Yen	84,511	200,602	–	285,113	0.01%
Lin Chang-Sheng	33,060,474	2,302,038	–	35,362,512	0.95%
Lin Lung-Yi	1,224,589	976,139	–	2,200,728	0.06%
Lo Chih-Hsien	2,781,463	60,988,412	–	63,769,875	1.71%
Lin Wu-Chung	652	–	–	652	0.00%

Save as disclosed above, as at 31 December 2008, 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 for Securities Transactions by Directors of Listed Companies.

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.

Except for the service contracts with the Company, during the year ended 31 December 2008, 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

As at 31 December 2008, 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	179,996,000	5.00%

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. under the purposes of the SFO.

Save as disclosed above, as at 31 December 2008, 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 services agreement

On 23 November 2007, the Company and Uni-President entered into a framework services agreement pursuant to which Uni-President (either by itself or through its other subsidiaries) agreed to provide to the Company ERP system consultancy services and technical support services. The pricing basis is at Uni-President's actual employment cost of the personnel providing the service plus other disbursements and other expenses incurred. The consideration for these services is determined on arm's length basis and no more favourable than that charged by independent third parties. The framework services agreement will expire on 31 December 2009 and is renewable at the Company's option for another term of three years.

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 associates at prices no less than the market price at which the Company sell to independent third parties. The framework sales agreement will expire on 31 December 2009 and is renewable at the Company's option for another term of three years.

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 and its associates. Under the framework purchase agreement, the quality and price of the materials supplied to the Company must not exceed market price. The framework purchase agreement will expire on 31 December 2009 and is renewable at the Company's option for another term of three years.

The Company has obtained a waiver from the Stock Exchange from the announcement requirement in respect of the transactions under the framework services agreement and a waiver from the Stock Exchange from the announcement and independent shareholders' approval requirements in respect of the transactions under the framework sales agreement and the framework purchase agreement. Such waivers will expire on 31 December 2009. The maximum aggregate annual value ("cap") permitted by the Stock Exchange and the aggregate annual value actually occurred for each of the above mentioned continuing connected transactions for the year ended 31 December 2008 are set out below:

Transaction	**Actual amount** (RMB million)	**Annual cap** (RMB million)
Framework services agreement		
ERP system consultancy services	Nil	18.0
Technical support services	0.4	2.6
Framework sales agreement		
Total sales value	17.6	301.4
Framework purchase agreement		
Total purchase value	490.5	840.2

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 auditor of the Company have confirmed that the above transactions:

- had been approved by the Board;
- were in accordance with the pricing policies of the Group;
- were entered into in accordance with the terms of the relevant agreements governing such transactions; and
- had not exceeded their respective caps as set out in the prospectus of the Company dated 4 December 2007.

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 amounted for 12.2% and 35.5% 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 ("Listing Date"). 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.

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 has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares 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 comprises Mr. Fan Ren-Da, Anthony, Mr. Chen Sun-Te and Mr. Lin Lung-Yi, a majority of whom are independent non-executive directors. The audit committee examined the accounting principles and practices adopted by the Group and discussed with management its internal controls and financial statements. The audit committee has reviewed the audited financial statements for the year ended 31 December 2008.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board
Lo Chih-Hsien
Chairman

Tainan, Taiwan
16 April 2009

Directors' Profile

Executive Directors

Mr. LO Chih-Hsien (alias LO, Alex C.)（羅智先）, aged 52, 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 also a director of Yantai North Andre Juice Co., Ltd.（煙台北方安德利果汁股份有限公司）. He has over 22 years of experience in the food and beverage industry. Mr. Lo is a director of President Chain Store Corp., Tait Marketing & Distribution Co., Ltd（德記洋行(股)公司）and Ton Yi Industrial Corp., all of which are listed on the Taiwan Stock Exchange. He is also the general manager of Uni-President Enterprises Corp. and a director of 51 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 57, 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 Corp.'s beverages department from 1991 to July 1995. He has been appointed as the director of President Enterprises (China) Investment Co. Ltd.（統一企業(中國)投資有限公司）since 2004 and the general manager of President Enterprises (China) Investment Co., Ltd. since 2005. He was also appointed as the general manager of Tong Ren Corp. Limited in 2007. Except for Nanchang President Enterprises Co., Ltd.（南昌統一企業有限公司）, he is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries. 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）. 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 79, is our non-executive Director. Mr. Kao joined our Group in August 2007. He joined the Uni-President Group in July 1967 and is currently the chairman of Uni-President Enterprises Corp. and a director of 14 members of Uni-President Group (excluding our Group). With over 36 years of experience in the food and beverage industry, Mr. Kao is currently a director of Uni-President Enterprises Corp., Prince Housing and Development Corp.（太子建設開發(股)公司）, Tainan Spinning Co., Ltd.（台南紡織(股份)公司）, President Chain Store Corp.（統一超商(股)公司）, Ton Yi Industrial Corp.（統一實業(股)公司）and TTET Union Corp.（大統益(股)公司）, all of which are listed on the Taiwan Stock Exchange. He obtained a doctorate in business administration 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 66, is our non-executive Director. Mr. Lin joined the Uni-President Group in January 1968 and is currently a CEO of Uni-President Group and a director of 62 members of the Uni-President Group (excluding our Group). He has over 36 years of experience in the food and beverage industry. Mr. Lin is currently a director of Tong Ren Corp. Limited（統仁實業股份有限公司）and each of our PRC subsidiaries. He is also the director of

Directors' Profile

President Chain Store Corp., Ton Yi Industrial Corp., Prince Housing and Development Corp. and TTET Union Corp., Uni-President Enterprise Co., Ltd., 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.

Mr. LIN Lung-Yi (林隆義), aged 65, is our non-executive Director. Mr. Lin joined our Group in December 1991. He is currently a director of each of our PRC subsidiaries. He joined the Uni-President Group in March 1971 and has over 37 years of experience in financial and accounting management. Mr. Lin is currently the Vice CEO of Uni-President Group and a director of 40 members of the Uni-President Group (excluding our Group). He is also the director of Prince Housing and Development Corp., Ton Yi Industrial Corp., and President Chain Store 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 51, 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 Corp., which is listed on the Taiwan Stock Exchange. He has over 23 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 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 54, was appointed as our independent non-executive Director in August 2007. He has over 25 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 Citigroup between 2001 and 2003, and the regional head of financial market in Asia Pacific of Citigroup 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.

Directors' Profile

Mr. FAN Ren-Da, Anthony（范仁達）, aged 48, 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) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. HWANG Jenn-Tai（黃鎮台）, aged 60, was appointed as our independent non-executive Director in August 2007. He holds a Ph.D. in chemical physics from Columbia University and a bachelor's degree in chemistry from National Taiwan University. He is currently the President of Soochow University. Prior to this, Mr. Hwang was the Minister of National Science Council, Executive Yuan（行政院國家科學委員會）, the President of Feng Chia University, the Vice Minister of Ministry of Education（教育部）and the President of Chinese Chemical Society（中國化學會）.

Mr. YANG Ing-Wuu（楊英武）, aged 64, was appointed as an independent non-executive Director in November 2007. He holds a bachelor and a masters 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（中華食品產業競爭策進會）and a part-time lecturer at Chihlee Institute of Commerce and Shih Hsin University. Mr. Yang has over 33 years' experience in the food industry and 4 years' experience in the beverage industry.

Directors' Profile

Mr. LO Peter（路嘉星）, aged 53, 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) Ltd), a company listed on the Hong Kong Stock Exchange. Mr. Lo is also an independent non-executive director of Ajisen (China) Holdings Ltd. From February 2005 to May 2008, he was the independent non-executive director of Lonking Holdings Limited (formerly known as China Infrastructure machinery Holding Ltd.). Both of which 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 China People's Consultative Conference of Harbin City.

Senior Management's Profile

Senior Management

Mr. LIN Wu-Chung (林武忠), aged 57, 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 was the head of Uni-President's beverages department from 1991 to July 1995. He has been appointed as the director of President Enterprises (China) Investment Co., Ltd since 2004 and the general manager of President Enterprises (China) Investment Co., Ltd since 2005. He has also been appointed as the general manager of Tong Ren Corp. Limited since 2007. Except for Nanchang President Enterprises Co., Ltd, he is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries. He is also a director of Heilongjiang Wondersun Dairy. Co., Ltd. Mr. Lin graduated from Tamkang University with a bachelor's degree in international trade in 1975.

Mr. CHEN Chia-Heng (陳嘉珩), aged 51, who joined our Group in June 2003, was the head of 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 26 years of experience in the food and beverage industry. He is also currently a director of Shenyang President Enterprises Co., Ltd., Beijing Food President Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Hefei President Enterprises Co., Ltd., Guangzhou President Enterprises Corp., Fuzhou President Enterprises Co., Ltd, Wuhan President Enterprises Food Co., Ltd and Chengdu President Enterprises Food Co., Ltd.. Mr. Chen holds a master's degree in business administration from National Cheng Kung University.

Mr. LO Chiu-Tien (羅秋田), aged 46, who joined our Group in January 2004, is our head of tea drinks business. He joined Uni-President Group in 1986 and has over 22 years of experience in beverage industry. Mr. Lo was the general manager of the dairy drinks and beverage products business of President Enterprises (China) Investment Co., Ltd. from January 2004 to August 2006. Since September 2006, he has been the head of tea drinks business of our Group. He also currently serves as a director of Hebei Jinmailang Noodles Co., Ltd.. He holds a master's degree in business administration from National Kaohsiung First University of Science and Technology.

Mr. LI Shih-Cheng (李世政), aged 51, who joined our Group in April 1992, is our head of juice drinks business. He joined Uni-President Group in 1985 and has 23 years of experience in the food and beverage industry, Mr. Li was also the general manager of Chengdu President Enterprises Food Co., Ltd. between 1997 and 2005. Since August 2005, he has been the head of juice drinks business of our Group. He obtained a bachelor's degree in industrial management from Lunghwa University of Science and Technology. Mr. Li has been re-designated as general manager of Shanghai Dairy Drinks Sales Company since 10 November 2008.

Ms. HSIEH Ling-Ling (謝玲玲), aged 46, is the head of accounting and finance and the assistant to the general manager of President Enterprises (China) Investment Co., Ltd. Ms. Hsieh joined our Group in December 2002 and is responsible for general financial management and banking relationship maintenance. She joined Uni-President Group in 1986 and has 21 years of experience in financial management. She was relocated to our Group in December 2002. 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.

Senior Management's Profile

Company Secretary and Qualified Accountant

Mr. CHAN Pei Cheong, Andy (陳庇昌), 47, is our qualified accountant and company secretary. He is also the investor relations and financial controller of our Company. Mr. Chan received a master's degree in business administration from the University of Durham, England. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries. Prior to his appointment, Mr. Chan had worked in an international accounting firm and had held senior positions in some Hong Kong listed companies and a securities firm. Mr. Chan has over twenty years' work experience in auditing, corporate finance, and project finance. He joined our Group in July 2007.

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 2008. The following summarises the corporate governance principles and practices adopted by the Company.

Board of Directors

The board of directors of the Company ("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. Hwang Jenn-Tai
Mr. Yang Ing-Wuu
Mr. Peter Lo

The biographies of the directors are set out on pages 23 to 26 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 2008, the Company held four board meetings. The attendance record of each director at the board meetings in 2008 is set out below:

Member of the Board	**Number of meetings attended**
Executive Directors	
Mr. Lo Chih-Hsien *(Chairman)*	4
Mr. Lin Wu-Chung *(President)*	4
Non-executive Directors	
Mr. Kao Chin-Yen	3
Mr. Lin Chang-Sheng	4
Mr. Lin Lung-Yi	4
Mr. Su Tsung-Ming	3
Independent Non-executive Directors	
Mr. Chen Sun-Te	3
Mr. Fan Ren-Da, Anthony	4
Mr. Hwang Jenn-Tai	1
Mr. Yang Ing-Wuu	4
Mr. Peter Lo	4

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 2008.

Remuneration Committee

The remuneration committee comprises Mr. Chen Sun-Te and Mr. Hwang Jenn-Tai, 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 one meeting in 2008 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 meeting in 2008 is set out below:

Member of the remuneration committee	Number of meetings attended
Mr. Chen Sun-Te *(Chairman)*	1
Mr. Hwang Jenn-Tai	1
Mr. Lin Chang-Sheng	1

Nomination Committee

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

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 2008 to conduct an annual review of the arrangement of the committee meetings and staff work plan for 2009. The attendance record of each member at the nomination committee meeting in 2008 is set out below:

Member of the nomination committee	Number of meetings attended
Mr. Hwang Jenn-Tai *(Chairman)*	1
Mr. Fan Ren-Da, Anthony	1
Mr. Lo Chih-Hsien	1

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 one meeting in 2008 to review the proposals in relation to the acquisition of an interest in Yantai North Andre Juice Co., Ltd. and the establishment of a joint venture company in Guilin with Shanghai Ziquan Beverage Co. Ltd. for the production of PET bottled beverage products for the Company. 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
Mr. Lo Chih-Hsien *(Chairman)*	1
Mr. Lin Wu-Chung	1
Mr. Lin Chang-Sheng	1
Mr. Chen Sun-Te	1
Mr. Yang Ing-Wuu	1
Mr. Peter Lo	1

Audit Committee

The audit committee comprises Mr. Fan Ren-Da, Anthony and Mr. Chen Sun-Te, who are both independent non-executive directors, and Mr. Lin Lung-Yi, who is a non-executive director. Based on the education and experience of Mr. Fan Ren-Da, Anthony and Mr. Chen Sun-Te, the Board is of the view that both of them possess the appropriate qualification requirements under Rule 3.10(2) of the Listing Rules. The audit committee is chaired by Mr. Fan Ren-Da, Anthony.

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 2008 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 2008 is set out below:

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

Auditor's Remuneration

PricewaterhouseCoopers is the auditor of the Company. During 2008, the Group paid to the auditor RMB4,850,000 for 2008 statutory audit services of the Company.

The Company also incurred approximately RMB2,927,000 for the services provided by PricewaterhouseCoopers in respect of advisory service for transaction and tax services.

The Board proposes to re-appoint PricewaterhouseCoopers as the auditor of the Company for year 2009, 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 auditor about their reporting responsibilities is set out on page 35 of the annual report. In preparing the financial statements for the year ended 31 December 2008, 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, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed. During 2008, the Board has conducted review on the effectiveness and adequacy of the Group's internal control system, including, among other things, financial, operational and compliance controls and risk management functions. The Audit Committee has reviewed the comments of external auditors provided at the Audit Committee meetings.

Independent Auditor's Report

羅兵咸永道會計師事務所

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INDEPENDENT AUDITOR'S REPORT
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 37 to 100, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, 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 notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2008 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,
16 April 2009

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Leasehold land	7	**171,952**	158,438
Property, plant and equipment	8	**1,956,937**	1,889,691
Intangible assets	9	**8,383**	56,258
Interests in jointly controlled entities	11	**306,448**	235,382
Available-for-sale financial assets	12	**394,657**	231,164
Deferred income tax assets	13	**84,480**	43,895
		2,922,857	2,614,828
Current assets			
Inventories	14	**551,467**	567,087
Trade and bills receivables	15	**221,509**	239,536
Prepayments, deposits and other receivables	16	**145,486**	121,760
Pledged bank deposits	17	**10,803**	–
Cash and cash equivalents	18	**3,272,859**	3,411,868
		4,202,124	4,340,251
Total assets		**7,124,981**	6,955,079
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	**34,047**	33,370
Share premium account	19	**2,243,980**	1,960,248
Other reserves	20		
– Proposed dividends	34	**171,909**	–
– Others		**3,292,606**	3,191,209
Total equity		**5,742,542**	5,184,827

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	21	**5,956**	8,673
Deferred income tax liabilities	13	**–**	6,813
		5,956	15,486
Current liabilities			
Trade and bills payables	23	**513,003**	471,218
Other payables and accruals	24	**821,139**	916,660
Borrowings	25	**8,562**	296,175
Other long-term liability – current portion	22	**5,685**	46,192
Current income tax liabilities		**28,094**	24,521
		1,376,483	1,754,766
Total liabilities		**1,382,439**	1,770,252
Total equity and liabilities		**7,124,981**	6,955,079
Net current assets		**2,825,641**	2,585,485
Total assets less current liabilities		**5,748,498**	5,200,313

LO Chih-Hsien
Executive Director

LIN Wu-Chung
Executive Director

The notes on page 43 to 100 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	10(a)	**3,281,176**	2,054,310
Available-for-sale financial assets	12	**245,630**	–
Property, plant and equipment		**172**	11
Intangible assets		**16**	–
		3,526,994	2,054,321
Current assets			
Prepayments, deposits and other receivables	16	**275**	13,217
Due from subsidiaries	10(b)	**177,135**	–
Loans to subsidiaries	10(c)	**478,429**	–
Pledged bank deposits	17	**10,803**	–
Cash and cash equivalents	18	**155,353**	2,023,765
		821,995	2,036,982
Total assets		**4,348,989**	4,091,303
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	**34,047**	33,370
Share premium account	19	**2,243,980**	1,960,248
Other reserves	20		
– Proposed dividends	34	**171,909**	–
– Others		**1,758,747**	2,030,466
Total equity		**4,208,683**	4,024,084
LIABILITIES			
Current liabilities			
Due to subsidiaries	10(b)	**1,070**	25,382
Loan from a subsidiary	10(d)	**116,188**	–
Other payables and accruals	24	**23,048**	41,837
Total liabilities		**140,306**	67,219
Total equity and liabilities		**4,348,989**	4,091,303
Net current assets		**681,689**	1,969,763
Total assets less current liabilities		**4,208,683**	4,024,084

LO Chih-Hsien
Executive Director

LIN Wu-Chung
Executive Director

The notes on pages 43 to 100 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	**2008 RMB'000**	2007 RMB'000
Revenue	6	**9,241,571**	8,656,777
Cost of sales	28	**(6,085,853)**	(5,742,097)
Gross profit		**3,155,718**	2,914,680
Other losses – net	26	**(4,428)**	(1,062)
Other income	27	**62,202**	40,365
Selling and marketing expenses	28	**(2,277,750)**	(2,147,668)
Administrative expenses	28	**(416,191)**	(263,366)
Operating profit		**519,551**	542,949
Finance income		**80,873**	22,676
Finance costs		**(157,542)**	(40,359)
Finance costs – net	30	**(76,669)**	(17,683)
Share of losses of jointly controlled entities	11	**(734)**	(40,800)
Profit before income tax		**442,148**	484,466
Income tax expense	31	**(98,307)**	(60,461)
Profit for the year and attributable to equity holders of the Company		**343,841**	424,005
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic	33	**9.56 cents**	14.04 cents
– Diluted	33	**9.56 cents**	14.04 cents
Dividends	34	**171,909**	–

The notes on pages 43 to 100 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital RMB'000	Share premium account RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2007		28,385	(28,385)	2,532,230	2,532,230
Profit for the year		–	–	424,005	424,005
Contributions from equity holder in relation to the Reorganisation		–	–	193,730	193,730
Issue of shares, net off issue expenses	19	4,985	1,988,633	–	1,993,618
Revaluation of available-for-sale financial assets-gross		–	–	47,468	47,468
Revaluation of available-for-sale financial assets-tax		–	–	(6,224)	(6,224)
Balance at 31 December 2007		33,370	1,960,248	3,191,209	5,184,827
Profit for the year		**–**	**–**	**343,841**	**343,841**
Issue of shares, net off issue expenses	19	**677**	**283,732**	**–**	**284,409**
Revaluation of available-for-sale financial assets-gross		**–**	**–**	**(83,514)**	**(83,514)**
Revaluation of available-for-sale financial assets-tax		**–**	**–**	**12,979**	**12,979**
Balance at 31 December 2008		**34,047**	**2,243,980**	**3,464,515**	**5,742,542**

The notes on pages 43 to 100 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**873,792**	1,215,242
Interest income on cash and cash equivalents received		**76,279**	19,264
Interest expenses paid		**(10,358)**	(25,384)
Income tax paid		**(129,153)**	(72,653)
Net cash generated from operating activities		**810,560**	1,136,469
Cash flows from investing activities			
Investments in jointly controlled entities		**(71,800)**	–
Payments for leasehold land		**(17,369)**	(8,880)
Purchase of property, plant and equipment		**(386,413)**	(220,135)
Purchases of intangible assets, including payment of sponsorship fee		**(46,288)**	(57,534)
Loans collected back from related parties, net		**–**	55,000
Interest income received on loans to related parties		**–**	3,318
Proceeds from disposal of property, plant and equipment		**10,788**	41,784
Proceeds from equity holder in respect of the Reorganisation		**–**	193,730
Payments to equity holder in respect of the Reorganisation		**–**	(117,150)
Increase in a financial product		**(30,000)**	–
Additions of available-for-sales financial assets		**(255,118)**	–
Dividends received from available-for-sales financial assets		**11,246**	–
Net cash used in investing activities		**(784,954)**	(109,867)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue expenses		**284,409**	1,993,618
Proceeds from bank borrowings		**238,395**	1,073,232
Repayments of bank borrowings		**(526,008)**	(1,491,568)
Dividends received from companies of Other Business		**–**	8,570
Payment of previous years' dividends to equity holder of the Company		**–**	(39,709)
Net cash (used in)/generated from financing activities		**(3,204)**	1,544,143
Net increase in cash and cash equivalents		**22,402**	2,570,745
Cash and cash equivalents at beginning of the year		**3,411,868**	841,123
Exchange losses on cash and cash equivalents		**(161,411)**	–
Cash and cash equivalents at end of the year	18	**3,272,859**	3,411,868

The notes on pages 43 to 100 are an integral part of these 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 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 16 April 2009.

2 Group reorganisation

The ultimate holding company of the Group is 統一企業股份有限公司 (Uni-President Enterprises Corporation*) ("Uni-President"), a company whose shares are listed on the Taiwan Stock Exchange Corporation. Prior to the establishment of the Company, Uni-President operated the PRC Beverages and Instant Noodles Businesses and other businesses, including the production of flour, edible oils, animals feeds, aquatic and livestock products, trading and retailing of food and carbonated beverages (collectively "Other Businesses") in the PRC through various subsidiaries. The Other Businesses have been managed separately from the PRC Beverages and Instant Noodles Businesses.

In preparation for the Listing, Uni-President conducted a reorganisation of the PRC Beverages and Instant Noodles Businesses (the "Reorganisation"). Pursuant to the Reorganisation, which was completed on 20 July 2007, the PRC Beverage and Instant Noodles Businesses were transferred to the Company such that the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 39.

The Reorganisation involved companies under common control. Accordingly, comparative figures for the year ended 31 December 2007 have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and presented the results and cash flows of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the year ended 31 December 2007.

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

3 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.

3.1 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 5.

(a) Amendments and interpretations effective in 2008

Relevant to the Group's operations:

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

- HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have significant impact on the Group's financial statements as the Group principally participates in defined contribution pension schemes.

Not relevant to the Group's operations:

- HK(IFRIC)-Int 11, 'HKFRS 2 – Group and treasury share transactions'

- HK(IFRIC)-Int 12 'Service Concession arrangements'

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, and the Group has not early adopted them:

Relevant to the Group's operations:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 1 2009.

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. It is not expected to have a material impact on the Group's financial statements as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated 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 should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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

Relevant to the Group's operations: (continued)

- HKFRS 8, 'Operating segments' (effective from 1 January 2009), replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply HKFRS 8 from 1 January 2009.

- HKICPA's improvements to HKFRS published in October 2008

  – HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.

  – HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  – HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23.

  – HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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

Relevant to the Group's operations: (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

  – HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

  – There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above.

  The Group will apply the above amendments from 1 January 2009, unless otherwise stated.

Not relevant to the Group's operations:

- HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements'-'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective from 1 July 2009).

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009).

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).

- HK(IFRIC)-Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).

- HK(IFRIC)-Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

- HK(IFRIC)-Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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

Not relevant to the Group's operations: (continued)

- HK(IFRIC)-Int 17 – 'Distributions of non-cash assets to owners' (effective from 1 July 2009).

- HK(IFRIC)-Int 18 – 'Transfers of assets from customers' (effective for transfer on or after 1 July 2009).

- HKICPA's improvements to HKFRS published in October 2008

  – HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009).

  – HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

  – HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

  – HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

  – HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

  – HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009).

  – HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

  – HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009).

  – HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

  – HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009).

  – The minor amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKAS 29, 'Financial reporting in hyperinflationary economies', HKAS 40, 'Investment property' and HKAS 41, 'Agriculture', which have not been addressed above.

3 Summary of significant accounting policies (continued)

3.2 Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

3.3 Consolidation and subsidiaries

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 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.

Other than merger accounting for common control combination of the Group, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 3.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

3 Summary of significant accounting policies (continued)

3.3 Consolidation and subsidiaries (continued)

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.

In the Company's balance sheet the investments in subsidiaries is stated at cost less provision for impairment losses (Note 3.9). The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

3.4 Jointly controlled entities

A jointly controlled entity is an entity which operates 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. Jointly controlled entities 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 include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' 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 reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, 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.

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

3.5 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3 Summary of significant accounting policies (continued)

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other 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 consolidated 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 dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

3 Summary of significant accounting policies (continued)

3.7 Property, plant and equipment

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 (the "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 consolidated 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 each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

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

3 Summary of significant accounting policies (continued)

3.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of jointly controlled entities is included in interests in jointly controlled entities. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. 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.

(c) Sponsorship fee

Sponsorship fee for the 2008 Beijing Olympic Games has been capitalised and stated at historical cost less accumulated amortisation. The sponsorship fee is initially measured at the fair value of the expected future payments and costs of products to be provided. Amortisation is calculated using the straight-line method to allocate the cost of sponsorship fee over the contractual period under the sponsorship program of 28 months.

3.9 Impairment of investments in subsidiaries, jointly controlled entities 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.

3 Summary of significant accounting policies (continued)

3.10 Financial assets

3.10.1 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 determine 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 balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivable', 'other receivables' and 'cash and cash equivalents' in the balance sheet (also refer to Note 3.12 and 3.13).

(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 balance sheet date.

3.10.2 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. 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 securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'gains and losses from investment securities'.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3 Summary of significant accounting policies (continued)

3.10 Financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3.11 Inventories

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

3.12 Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the consolidated income statement.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand and deposits held at call with banks.

3.14 Share capital

Ordinary shares are classified as equity.

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

3.15 Trade payables

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

3 Summary of significant accounting policies (continued)

3.16 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 balance sheet date.

3.17 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.

3.18 Current and deferred income tax

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

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 and jointly controlled entities 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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 and jointly controlled entities, 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.

3 Summary of significant accounting policies (continued)

3.19 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 and Taiwan 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 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.

3.20 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.

3 Summary of significant accounting policies (continued)

3.21 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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 accounting period in which 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 on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) Dividend income

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

3.22 Government grants

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

Government grants relating to costs are deferred and recognised in the consolidated 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 consolidated income statement on a straight-line basis over the expected lives of the related assets.

3 Summary of significant accounting policies (continued)

3.23 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 expensed 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.

3.24 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 Group's 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.

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 Group's financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3.25 Dividend distribution

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

4 Financial risk management

4.1 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 25), which are denominated mainly 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 2008, 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 2008 would have been approximately RMB41,685,000 lower/higher (2007: RMB102,106,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD and HKD denominated cash and cash equivalents and borrowings.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated 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. 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 unlisted legal person shares of a listed company, the Group takes reference to professional valuation and adopts the market approach to assess the fair value by multiplying the listed share price as at the balance sheet dates and a discount rate ranging from 21% to 30% to reflect the unlisted status, risks and nature of the unlisted legal person shares. As at 31 December 2008, if the discounted rates used was 10% higher/lower from management's estimates, the carrying amount of the available-for-sale financial assets would be approximately RMB1,488,000 (2007: RMB2,854,000) lower/higher than the current value.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

In connection with the investment in shares of a non-listed company, the Group adopts both the income approach and market approach. The income approach technique known as 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 is 14.5% 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 known as the price/sales ("P/S"), the price/earnings ("P/E"), business enterprise value/earnings before interest and tax ("BV/EBIT") and business enterprise value/earnings before depreciation, interest and tax ("BV/EBDITA") multiple methodology to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by multiplying the sales, net income, EBIT and EBDITA 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 forecasted operating results of companies with similar business nature, having their operating activities in the PRC and whose ownership interests are publicly trades. As at 31 December 2008, 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 RMB4,199,000 lower/RMB6,470,000 higher than the current value.

(iii) Cash flow and fair value interest rate risk

Except for bank deposits (Note 18) and borrowings (Note 25) 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 25 respectively.

As at 31 December 2008, 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 RMB26,759,000 higher/lower (2007: RMB29,898,000 higher/lower), mainly as a result of higher/lower interest income on bank deposits which would offset interest expenses on borrowings.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and bills 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 2008 and 2007, 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 2008:

Counterparty	**Rating ***	**2008 RMB'000**	2007 RMB'000
Industrial and Commercial Bank of China	C	**780,406**	59,913
Bank of China	A-	**536,303**	185,054
China Construction Bank	A-	**324,454**	227,163
		1,641,163	472,130

* The source of credit rating is from Standard & Poor'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 and bills receivables are followed up on a timely basis.

4 Financial risk management (continued)

4.1 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 2008	
Borrowings	**8,562**
Interests payments on borrowings	**20**
Trade and bills payables	**513,003**
Other payables and accruals	**660,162**
Other long-term liability	**5,685**
As at 31 December 2007	
Borrowings	296,175
Interests payments on borrowings	3,912
Trade and bills payables	471,218
Other payables and accruals	738,542
Other long-term liability	46,831

Interests payments on borrowings are calculated based on borrowings held as at 31 December 2008 and 2007 without taking into account of future issues. Floating-rate interest is estimated using the current interest rate as at 31 December 2008 and 2007, respectively.

4 Financial risk management (continued)

4.2 Capital risk management

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

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

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. Net debt is calculated as total borrowings (including borrowings, trade and bills payables, other payables and accruals and other long-term liabilities, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio within 20% to 50%. The gearing ratios at 31 December 2008 and 2007 are as follows:

	2008 **RMB'000**	2007 RMB'000
Total borrowings (i)	**1,348,389**	1,730,245
Less: cash and cash equivalents (Note 18)	**(3,272,859)**	(3,411,868)
Net debt	**(1,924,470)**	(1,681,623)
Total equity	**5,742,542**	5,184,827
Total capital (ii)	**3,818,072**	3,503,204
Gearing ratio (negative)	**(50.40%)**	(48.00%)

(i) Total borrowings include borrowings, trade and bill payables, other payables and accruals and other long-term liabilities, 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.

4.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and judgements

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

5.1 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 4.1(a)(ii)). 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.

(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.

As at 31 December 2008, the Group has deferred income tax assets in the amount of approximately RMB84,480,000. 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 and unused tax losses, as well as downward adjustment in fair value of available-for-sale financial assets.

5.2 Critical judgements in applying the entity'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 RMB48,508,000 in its 2008 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the consolidated income statement.

6 Revenue and segment information

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

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format as over 90% of the Groups sales and business activities are conducted in the PRC.

The Group's operations are mainly organised under two principal business segments: manufacturing and sale of beverages and instant noodles.

An analysis by business segments is as follows:

	2008				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	6,940,344	2,255,042	46,185	–	9,241,571
Segment profit/(loss)	767,292	(103,049)	(10,937)	(133,755)	519,551
Finance costs – net					(76,669)
Share of losses of jointly controlled entities	(734)	–	–	–	(734)
Profit before income tax					442,148
Income tax expense					(98,307)
Profit for the year					343,841
Other segment terms included in the income statement					
Depreciation and amortsation	204,942	145,632	5,816	3,507	359,897
Segment assets and liabilities					
Assets	2,200,377	726,283	34,518	3,857,355	6,818,533
Interests in jointly controlled entities	306,448	–	–	–	306,448
Total assets					7,124,981
Liabilities	937,268	354,693	16,130	74,348	1,382,439
Total liabilities					1,382,439
Capital expenditure	338,573	47,759	8,133	6,866	401,331

6 Revenue and segment information (continued)

	2007				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	6,143,016	2,445,484	68,277	–	8,656,777
Segment profit / (loss)	655,404	1,230	(23,462)	(90,223)	542,949
Finance costs – net					(17,683)
Share of losses of jointly controlled entities	(40,800)	–	–	–	(40,800)
Profit before income tax					484,466
Income tax expense					(60,461)
Profit for the year					424,005
Other segment terms included in the income statement					
Depreciation and amortsation	212,599	147,401	3,001	3,779	366,780
Segment assets and liabilities					
Assets	1,936,546	979,338	38,192	3,765,621	6,719,697
Interests in jointly controlled entities	235,382	–	–	–	235,382
Total assets					6,955,079
Liabilities	924,321	450,417	14,871	380,643	1,770,252
Total liabilities					1,770,252
Capital expenditure	149,436	49,175	894	18,095	217,600

Segment assets consist primarily of leasehold land, property, plant and equipment, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables, and mainly exclude deferred income tax assets, available-for-sale financial assets, pledged bank deposits and cash and cash equivalents.

Segment liabilities comprise deferred government grants, other long-term liability, trade and bills payables, other payables and accruals, and exclude items such as deferred income tax liabilities, current income tax liabilities and borrowings.

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

7 Leasehold land – Group

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

	2008 RMB'000	2007 RMB'000
At 1 January	**158,438**	122,312
Additions	**17,369**	8,880
Transfer from property, plant and equipment (Note 8)	**–**	31,206
Amortisation (Note 28)	**(3,855)**	(3,960)
At 31 December	**171,952**	158,438
Cost	**212,636**	195,267
Accumulated amortisation	**(40,684)**	(36,829)
Net book amount	**171,952**	158,438

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

	2008 RMB'000	2007 RMB'000
In the PRC, held on:		
Leases* of over 50 years	**12,380**	18,929
Leases* of between 10 and 50 years	**159,572**	139,509
Closing net book amount	**171,952**	158,438

* Refer to remaining 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 2008 and 2007.

Notes to the Consolidated Financial Statements

8 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 2007						
Cost	893,783	2,062,992	718,542	6,182	128,351	3,809,850
Accumulated depreciation	(282,624)	(1,018,671)	(441,879)	(4,685)	–	(1,747,859)
Accumulated impairment provision	–	(2,579)	–	–	–	(2,579)
Net book amount	611,159	1,041,742	276,663	1,497	128,351	2,059,412
Year ended 31 December 2007						
Opening net book amount	611,159	1,041,742	276,663	1,497	128,351	2,059,412
Additions	9,136	41,365	45,631	39	111,723	207,894
Transfer upon completion	62,756	96,084	22,624	–	(181,464)	–
Transfer to leasehold land (Note 7)	–	–	–	–	(31,206)	(31,206)
Disposals	(5,055)	(32,424)	(1,959)	–	–	(39,438)
Depreciation (Note 28)	(44,501)	(178,273)	(83,173)	(1,124)	–	(307,071)
Reversal of provision/(impairment provision) (Note 28)	–	119	(19)	–	–	100
Closing net book amount	633,495	968,613	259,767	412	27,404	1,889,691
At 31 December 2007						
Cost	957,006	2,146,763	742,581	6,221	27,404	3,879,975
Accumulated depreciation	(323,511)	(1,175,690)	(482,795)	(5,809)	–	(1,987,805)
Accumulated impairment provision	–	(2,460)	(19)	–	–	(2,479)
Net book amount	633,495	968,613	259,767	412	27,404	1,889,691
Year ended 31 December 2008						
Opening net book amount	**633,495**	**968,613**	**259,767**	**412**	**27,404**	**1,889,691**
Additions	**176**	**24,213**	**61,591**	**232**	**290,095**	**376,307**
Transfer upon completion	**4,385**	**15,268**	**8,384**	**–**	**(28,037)**	**–**
Disposals	**(393)**	**(3,911)**	**(5,409)**	**–**	**–**	**(9,713)**
Depreciation (Note 28)	**(48,191)**	**(166,000)**	**(86,190)**	**(131)**	**–**	**(300,512)**
Reversal of provision (Note 28)	**–**	**1,164**	**–**	**–**	**–**	**1,164**
Closing net book amount	**589,472**	**839,347**	**238,143**	**513**	**289,462**	**1,956,937**
At 31 December 2008						
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**

8 Property, plant and equipment – Group (continued)

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

	2008 RMB'000	2007 RMB'000
Cost of sales	**225,559**	225,139
Selling and marketing expenses	**25,926**	36,432
Administrative expenses	**49,027**	45,500
	300,512	307,071

There are no pledge of property, plant and equipment as at 31 December 2008 and 2007.

The Group's buildings are located in the PRC.

Lease rental income amounting to approximately RMB1.5 million (2007: RMB3.2 million) relating to the lease of buildings are included in the consolidated income statement (Note 27).

9 Intangible assets – Group

	Goodwill RMB'000	Computer Software RMB'000	Sponsorship fee RMB'000	Total RMB'000
At 1 January 2007				
Cost	11,941	3,921	127,078	142,940
Accumulated amortisation	–	(1,770)	(18,048)	(19,818)
Accumulated impairment	(11,941)	–	–	(11,941)
Net book amount	–	2,151	109,030	111,181
Year ended 31 December 2007				
Opening net book amount	–	2,151	109,030	111,181
Additions	–	826	–	826
Amortisation (Note 28)	–	(1,309)	(54,440)	(55,749)
Closing net book amount	–	1,668	54,590	56,258
At 31 December 2007				
Cost	11,941	4,747	127,078	143,766
Accumulated amortisation	–	(3,079)	(72,488)	(75,567)
Accumulated impairment	(11,941)	–	–	(11,941)
Net book amount	–	1,668	54,590	56,258
Year ended 31 December 2008				
Opening net book amount	**–**	**1,668**	**54,590**	**56,258**
Additions	**–**	**7,655**	**–**	**7,655**
Amortisation (Note 28)	**–**	**(940)**	**(54,590)**	**(55,530)**
Closing net book amount	**–**	**8,383**	**–**	**8,383**
At 31 December 2008				
Cost	**11,941**	**12,402**	**127,078**	**151,421**
Accumulated amortisation	**–**	**(4,019)**	**(127,078)**	**(131,097)**
Accumulated impairment	**(11,941)**	**–**	**–**	**(11,941)**
Net book amount	**–**	**8,383**	**–**	**8,383**

9 Intangible assets – Group (continued)

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.

In August 2006, the Group entered into a sponsorship agreement with Beijing Organizing Committee for the Games of the XXIX Olympiad ("BOCOG"), pursuant to which the Group was granted the right to use the 2008 Beijing Olympic Games trademark on the packing of its instant noodle products and in its promotion activities effective from September 2006 to December 2008, at a total sponsorship fee of RMB131 million. The total sponsorship fee included both cash payments of RMB124.45 million to be settled in quarterly installments from October 2006 to July 2008, as well as provision of the Group's instant noodle products at fair value of RMB6.55 million. The sponsorship fee has been capitalised and initially measured at inception of the sponsorship agreement at the fair value of the expected future payments and products to be provided free of charge and discounted at a rate of 4.97% per annum, which approximated the average bank borrowing rate of the Group. The sponsorship fee is amortised over the contractual period under the sponsorship program of 28 months.

The amortisation of computer software and sponsorship fee has been charged to 'administrative expenses' and 'selling and market expenses' respectively.

10 Interests in subsidiaries – Company

(a) Investment in a subsidiary

	2008 **RMB'000**	2007 RMB'000
Investments, at cost:		
– Unlisted shares	**3,281,176**	2,054,310

The list of the principal subsidiaries of the Company as at 31 December 2008 is set out in note 39.

(b) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. As at 31 December 2008, the amounts due from subsidiaries represent the amounts paid on behalf of subsidiaries for the purchase of property, plant and equipment.

(c) Loans to subsidiaries

The loans to subsidiaries are unsecured, denominated in USD and repayable within one to seven 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.

(d) Loan from a subsidiary

The loan from a subsidiary is unsecured, denominated in USD and repayable within one month with the interest rate equals to the LIBOR plus certain credit rating. The carrying amounts of loan from a subsidiary approximate its fair value.

11 Interests in jointly controlled entities – Group

	2008 RMB'000	2007 RMB'000
At 1 January	**235,382**	276,182
Additions	**71,800**	–
Share of losses	**(734)**	(40,800)
At 31 December	**306,448**	235,382

The particulars of the jointly controlled entities of the Group as at 31 December 2008, 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 2008	Equity interest attributable to the Group 2007	Principal activities
北京統一麒麟飲料有限公司 (Beijing President Kirin Beverage Corporation*) ("Beijing Kirin")	Beijing, PRC, 11 February 2004	USD3,000,000	**50%**	50%	Manufacturing and sale of beverages
今麥郎飲品(北京)有限公司 (Jinmailang Beverage (Beijing) Co., Ltd.*) ("Jinmailang JV")	Beijing, PRC, 28 October 2005	RMB742,600,000	**50%**	50%	Manufacturing and sale of beverages
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%**	–	Investment management and advisory services

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

11 Interests in jointly controlled entities – Group (continued)

The additions to the interests in jointly controlled entities during the year included RMB500,000 in respect of the newly set up of United Advisor Venture Management in July 2008 for the purpose of providing investment management and advisory services to China F&B Venture Investments (華穗食品創業投資企業) (Note 37), a Sino-foreign co-operative joint venture to be set up in the PRC, and RMB71,300,000 in respect of the further capital investment in Jinmailang JV.

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 2008							
Jinmailang JV	**1,536,702**	**928,428**	**608,274**	**304,137**	**1,028,047**	**6,547**	**3,274**
Beijing Kirin	**13,827**	**10,091**	**3,736**	**1,868**	**25,757**	**(7,901)**	**(3,951)**
United Advisor Venture Management	**886**	**–**	**886**	**443**	**–**	**(114)**	**(57)**
	1,551,415	**938,519**	**612,896**	**306,448**	**1,053,804**	**(1,468)**	**(734)**
Year ended 31 December 2007							
Jinmailang JV	969,936	510,813	459,123	229,562	346,896	(79,709)	(39,855)
Beijing Kirin	16,009	4,370	11,639	5,820	21,291	(1,890)	(945)
	985,945	515,183	470,762	235,382	368,187	(81,599)	(40,800)

As at 31 December 2008, the Group and the other equity holder of Jinmailang JV provided guarantees in proportion of their respective equity interests in Jinmailang JV for the bank borrowings and finance leases of Jinmailang JV. The respective guarantees provided by the Group amounted to approximately RMB247 million (2007: RMB150 million).

In January 2009, the Group entered into an agreement for the disposal of its entire interests in Beijing Kirin to the Chinese investor at a consideration of approximately USD462,000 (equivalent to approximately RMB3,160,000).

12 Available-for-sale financial assets – Group and Company

	Group		Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
At 1 January	**231,164**	183,696	**–**	–
Additions	**255,118**	–	**255,118**	–
Dividends received	**(8,111)**	–	**(8,111)**	–
Fair value changes charged to equity (Note 20)	**(83,514)**	47,468	**(1,377)**	–
At 31 December	**394,657**	231,164	**245,630**	–

12 Available-for-sale financial assets – Group and Company (continued)

The available-for-sale financial assets include the following:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities, at fair value				
Want Want	**220,360**	–	**220,360**	–
Others	**25,270**	–	**25,270**	–
	245,630	–	**245,630**	–
Unlisted securities, at fair value				
Andre Juice	**34,415**	107,552	**–**	–
Wondersun Dairy	**110,000**	119,000	**–**	–
Others	**4,612**	4,612	**–**	–
	149,027	231,164	**–**	–
	394,657	231,164	**245,630**	–

The Group's investments in listed securities include mainly the holding of 77,842,000 (2007: Nil) ordinary shares, representing 0.59% (2007: 0.59%) shareholding, 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 Stocks Exchange.

The fair values of the listed securities are determined based on the quoted market prices at the balance sheet date.

The Group's investments in unlisted securities include the holding of 186,329,594 (2007: 186,329,594) unlisted legal person shares, representing 4.37% (2007: 4.37%) shareholding, of Yantai North Andre Juice Co., Ltd. ("Andre Juice"), a PRC domestic enterprise listed on the Growth Enterprise Market ("GEM") Board of the Stock Exchange and engaged in the manufacturing and sale of juice and vegetable concentrate products. The legal person shares of Andre Juice held by the Group are not tradable on the GEM Board. In addition, the Group holds 9% (2007: 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 securities in Andre Juice is determined with reference to a valuation by multiplying the listed share price of Andre Juice on the GEM Board at the balance sheet date and a discount rate to reflect the unlisted status, risks and nature of unlisted shares. The discount rate used as at 31 December 2008 is 30% (2007: 21%). The fair value of the unlisted equity interests in Wondersun Dairy is determined with reference to a valuation based on a combination of the cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities of 14.5% and the market value based on sales and income multiples.

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

None of the financial assets are impaired as at the balance sheet dates.

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

13 Deferred income tax – Group

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. The offset amounts are as follows:

	2008 **RMB'000**	2007 RMB'000
Deferred income tax assets		
– Deferred income tax assets to be recovered within 12 months	**76,430**	40,284
– Deferred income tax assets to be recovered after more than 12 months	**8,050**	3,611
	84,480	43,895
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered within 12 months	**–**	6,813
– Deferred income tax liabilities to be recovered after more than 12 months	**–**	–
	–	6,813

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

	2008 **RMB'000**	2007 RMB'000
At 1 January	**37,082**	12,823
Recognised in the consolidated income statements (Note 31)	**34,419**	30,483
Arising from revaluation of available-for-sale financial assets and charged directly to equity (Note 20)	**12,979**	(6,224)
At 31 December	**84,480**	37,082

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:

13 Deferred income tax– Group (continued)

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 2007	2,874	2,762	6,813	1,350	–	13,799
Recognised in the consolidated income statements	507	849	20,248	–	8,879	30,483
Credited directly to equity	–	–	–	1,915	–	1,915
At 31 December 2007	**3,381**	**3,611**	**27,061**	**3,265**	**8,879**	**46,197**
Recognised in the consolidated income statements	**24,593**	**4,439**	**6,148**	**–**	**(761)**	**34,419**
Credited directly to equity	**–**	**–**	**–**	**3,864**	**–**	**3,864**
At 31 December 2008	**27,974**	**8,050**	**33,209**	**7,129**	**8,118**	**84,480**

Deferred income tax liabilities

	Upward adjustment in fair value of available-for-sale financial assets RMB'000
At 1 January 2007	976
Charged directly to equity	8,139
At 31 December 2007	**9,115**
Charged directly to equity	**(9,115)**
At 31 December 2008	**–**

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 RMB35,511,000 (2007: RMB29,077,000) in respect of tax losses amounting to approximately RMB170,982,000 (2007: RMB152,126,000) as at 31 December 2008 that can be carried forward against future taxable income. Tax losses amounting to approximately RMB21,940,000, RMB18,585,000, RMB18,090,000, RMB49,529,000 and RMB62,838,000 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% if the foreign investor is incorporated in Hong Kong or other places as stipulated by the New CIT Law) upon the distribution of such profits to foreign investors. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 December 2008 since the Group has no plan to distribute such profits in the foreseeable future.

14 Inventories – Group

	2008 RMB'000	2007 RMB'000
Raw materials	**143,628**	131,655
Working in progress	**23,265**	26,461
Finished goods	**265,184**	300,053
Consumables	**119,390**	108,918
	551,467	567,087

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB5,203 million (2007: RMB4,990 million).

The Group recognised a loss of approximately RMB2,702,000 for the year ended 31 December 2008 (2007: RMB4,521,000) (Note 28), in respect of the write-down of inventories to their net realisable value. These amounts have been included in 'cost of sales' in the consolidated income statement.

15 Trade and bills receivables – Group

	2008 RMB'000	2007 RMB'000
Trade receivables from independent third parties	**231,873**	250,822
Less: provision for impairment	**(12,114)**	(13,573)
Trade receivables from independent third parties, net	**219,759**	237,249
Trade receivables from related parties, net (Note 38(b))	**1,513**	1,837
Bills receivable from independent third parties	**237**	450
Trade and bills receivables, net	**221,509**	239,536

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

	2008 RMB'000	2007 RMB'000
Trade receivables, gross		
– Within 90 days	**198,966**	213,210
– 91-180 days	**24,631**	27,565
– 181-365 days	**3,267**	9,518
– Over 1 year	**6,522**	2,366
	233,386	252,659

15 Trade and bills receivables – Group (continued)

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

	2008 RMB'000	2007 RMB'000
Trade receivables, gross		
– RMB	**228,907**	252,659
– USD	**4,295**	–
– HKD	**184**	–
	233,386	252,659

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

As at 31 December 2008, trade receivables of approximately RMB49 million (2007: RMB71 million) are impaired and the amount of the provision for impairment is approximately RMB12.1 million (2007: RMB13.6 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:

	2008 RMB'000	2007 RMB'000
Trade receivables, gross		
– Within 90 days	**14,631**	31,990
– 91-180 days	**24,631**	27,565
– 181-365 days	**3,267**	9,518
– Over 1 year	**6,522**	2,366
	49,051	71,439

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

	2008 RMB'000	2007 RMB'000
At 1 January	**13,573**	21,879
Receivables written off as uncollectible	**(1,884)**	(3,038)
Provision/(reversal of provision) for impairment of trade receivables (Note 28)	**425**	(5,268)
At 31 December	**12,114**	13,573

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

16 Prepayments, deposits and other receivables – Group and Company

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepaid and deductible value added tax	**28,759**	35,513	**–**	–
Deposits	**18,982**	15,391	**160**	–
Prepayments – advance payments to suppliers (Note (a))	**117,319**	24,612	**–**	–
Prepaid lease, insurance and other operating expenses	**14,415**	12,189	**82**	65
Prepayments to related parties (Note 38(b))	**12,064**	5,023	**–**	–
Interest income receivable	**8,006**	3,412	**–**	–
Petty cash borrowed by salesmen	**2,235**	3,098	**–**	–
Amounts due from related parties (Note 38(b))	**1,624**	14,366	**–**	10,591
Investment in a financial product (Note (b))	**30,000**	–	**–**	–
Others	**12,082**	8,156	**33**	2,561
	245,486	121,760	**275**	13,217
Less: provision for impairment of advance payments to a supplier (Note (a))	**(100,000)**	–	**–**	–
	145,486	121,760	**275**	13,217

Notes:

(a) In March 2008, two of the Company's wholly-owned subsidiaries entered into two sugar supply contracts (the "Contracts") with Guangdong Zhong Gu Tang Ye Group Company Limited ("Zhong Gu"), a domestic enterprise established in the PRC. Pursuant to the Contracts, the two subsidiaries made advance payments in aggregate of RMB100 million to Zhong Gu for delivery of sugar. Thereafter, Zhong Gu informed the Group that it was not able to perform under the original terms of the Contracts and proposed to amend the terms of the Contracts. The Company has been in discussions with the Zhong Gu with an attempt to restructure the obligations of Zhong Gu under the Contracts. These discusssions, which were complicated by the unexpected death of the Chairman of Zhong Gu which resulted in further deterioration of the operations and financial position of Zhong Gu, have not resulted in any agreement. Separately, the Group also engaged in discussions with the Guangdong Province Zhanjiang Municipal Government and other creditors of Zhong Gu to explore alternative options to restructure Zhong Gu and its obligations under the Contracts. As at 31 December 2008 and up to the date of approval of these consolidated financial statements, the discussions with Zhong Gu and with the government are still on going without substantial progress. In view of the circumstances, the directors of the Company are of the view that the Group will not be able to collect the advance payments to Zhong Gu, accordingly, a full provision of RMB100 million for impairment of the advance payments has been made.

(b) During the year, the Group made an investment in an un-listed interest bearing financial product issued by a commercial bank in Hong Kong amounting to RMB30 million (2007: Nil). The financial product has a maturity period of three months. The investment had been fully settled in January 2009.

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

17 Pledged bank deposits – Group and Company

The pledged bank deposits as at 31 December 2008 represented deposits at banks pledged as security for the issue of letter of credit facilities and bills.

18 Cash and cash equivalents – Group and Company

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**2,078,479**	1,138,591	**150,176**	57,367
Short-term bank deposits	**1,194,380**	2,273,277	**5,177**	1,966,398
	3,272,859	3,411,868	**155,353**	2,023,765

As at 31 December 2008, the effective weighted average rate of these short-term bank deposits was 2.73% (2007: 3.45%) per annum. These deposits have an average maturity of 46 days (2007: 6 days) but could be withdrawn anytime without restriction.

As at 31 December 2008, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
– RMB	**2,234,075**	1,152,840	**–**	–
– USD	**1,021,546**	230,506	**141,319**	–
– HKD	**15,224**	2,024,322	**14,034**	2,023,765
– Others	**2,014**	4,200	**–**	–
	3,272,859	3,411,868	**155,353**	2,023,765

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

	Authorised		
	Number of ordinary shares	Share capital USD'000	Share capital HKD'000
At 4 July 2007	50,000,000,000	500,000	–
Creation	50,000,000,000	–	500,000
Cancellation	(50,000,000,000)	(500,000)	–
At 31 December 2007 and 2008	50,000,000,000	–	500,000

	Issued and fully paid				
	Number of shares	Share capital HKD'000	Share capital Equivalent to RMB'000	Share premium account RMB'000	Total RMB'000
At 4 July 2007	1	–	–	–	–
Issuance	1	–	–	–	–
Repurchase	(1)	–	–	–	–
Issue pursuant to the Listing	526,810,000	5,268	4,985	1,988,633	1,993,618
Capitalisation Issue	2,999,999,999	30,000	28,385	(28,385)	–
At 31 December 2007	**3,526,810,000**	**35,268**	**33,370**	**1,960,248**	**1,993,618**
Proceeds from shares issued upon the exercise of over-allotment option (Note)	**72,635,000**	**726**	**677**	**283,732**	**284,409**
At 31 December 2008	**3,599,445,000**	**35,994**	**34,047**	**2,243,980**	**2,278,027**

Note:

On 4 January 2008, the over-allotment option referred to in the prospectus of the Company dated 17 December 2007 for the Listing was partially exercised, accordingly, an aggregate of 72,635,000 shares of the Company, representing 8.2% of the offer shares initially available under the global offering, were issued and net proceed of approximately HKD305,347,000 (equivalent to approximately RMB284,409,000) was generated by the Company.

(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 the 17 December 2007, 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 2008, no share options has 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 2007	1,619,575	(2,531)	152,443	762,743	2,532,230
Profit for the year	–	–	–	424,005	424,005
Contributions from equity holder in relation to the Reorganisation	193,730	–	–	–	193,730
Disposal transfer – revaluation reserve of property, plant and equipment acquired in business combinations	–	(382)	–	382	–
Appropriation to statutory reserves	–	–	87,750	(87,750)	–
Revaluation of available-for-sale financial assets – gross (Note 12)	–	47,468	–	–	47,468
Revaluation of available-for-sale financial assets – tax (Note 13)	–	(6,224)	–	–	(6,224)
Balance at 31 December 2007	**1,813,305**	**38,331**	**240,193**	**1,099,380**	**3,191,209**
Profit for the year	**–**	**–**	**–**	**343,841**	**343,841**
Disposal transfer – revaluation reserve of property, plant and equipment acquired in business combinations	**–**	**(272)**	**–**	**272**	**–**
Appropriation to statutory reserves	**–**	**–**	**66,661**	**(66,661)**	**–**
Revaluation of available-for-sale financial assets – gross (Note 12)	**–**	**(83,514)**	**–**	**–**	**(83,514)**
Revaluation of available-for-sale financial assets – tax (Note 13)	**–**	**12,979**	**–**	**–**	**12,979**
Balance at 31 December 2008	**1,813,305**	**(32,476)**	**306,854**	**1,376,832**	**3,464,515**

Company

	Contributed surplus RMB'000	Fair value reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 4 July 2007	–	–		–
Loss for the period	–	–	(23,844)	(23,844)
Capitalisation Issue	2,054,310	–	–	2,054,310
Balance at 31 December 2007	**2,054,310**	**–**	**(23,844)**	**2,030,466**
Loss for the year	**–**	**–**	**(98,433)**	**(98,433)**
Revaluation of available-for-sale financial assets – gross (Note 12)	**–**	**(1,377)**	**–**	**(1,377)**
Balance at 31 December 2008	**2,054,310**	**(1,377)**	**(122,277)**	**1,930,656**

20 Other reserves – Group and Company (continued)

(a) Capital reserves

Capital reserves of the Group represent the contributions from and distributions to the equity holder of the Group prior to the Listing 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.

(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, the wholly-foreign owned enterprises and domestic companies may allocate a portion of their post-tax profits to the staff welfare and bonus reserve and discretionary surplus reserve respectively. PRC subsidiaries incorporated as Sino-foreign equity joint ventures may allocate a portion of their statutory post-tax profits to the statutory surplus reserves, staff welfare and bonus reserve and enterprise expansion fund at the discretion of the 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. The use of the staff welfare and bonus reserve is restricted to employees' welfare benefits.

(d) Contributed surplus

The Company was incorporated on 4 July 2007 and became the holding company of the Group pursuant to the Reorganisation (Note 2). The contributed surplus of the Company represents the amount of the net asset value of the companies that were transferred to the Company during the Reorganisation.

21 Deferred government grants – Group

	2008 RMB'000	2007 RMB'000
At 1 January	**8,673**	10,041
Addition	**–**	–
Amortisation, credited into other income	**(2,717)**	(1,368)
At 31 December	**5,956**	8,673
At end of year		
Cost	**13,371**	13,371
Accumulated amortisation	**(7,415)**	(4,698)
Net book amount	**5,956**	8,673

The analysis of government grants received by the Group is as follows:

	2008 RMB'000	2007 RMB'000
For acquisition of leasehold land	**1,513**	1,513
For acquisition of property, plant and equipment	**11,858**	11,858
	13,371	13,371

22 Other long-term liability – Group

Other long-term liability represents the Group's payable for 2008 Beijing Olympic Games sponsorship fee.

	2008 RMB'000	2007 RMB'000
Within one year	**5,685**	46,192

The movements in the sponsorship fee payable during the year are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of the year	**46,192**	100,632
Payment and imputed interest costs	**(40,507)**	(54,440)
At end of the year	**5,685**	46,192

The sponsorship fee payable was initially recognised at inception of the sponsorship agreement at fair value, which was the present value of the future cash payments and the fair value of products to be provided free of charge, discounted at a rate of 4.97% per annum, which approximated the average bank borrowing rate of the Group.

The carrying amounts of other long-term liability approximate their fair values as at the balance sheet dates.

23 Trade and bills payables – Group

	2008 RMB'000	2007 RMB'000
Trade payables		
– to independent third parties	**477,843**	437,347
– to related parties (Note 38(b))	**33,168**	31,316
	511,011	468,663
Bills payable		
– to independent third parties	**1,992**	2,555
	513,003	471,218

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

	2008 RMB'000	2007 RMB'000
Trade payables		
– Within 180 days	**502,987**	460,600
– 181 to 365 days	**1,862**	5,394
– Over 1 year	**6,162**	2,669
	511,011	468,663

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

24 Other payables and accruals – Group and Company

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance receipts from customers	**133,542**	153,039	**–**	–
Accruals for promotion and advertising expenses	**320,495**	382,259	**–**	–
Salary and welfare payables	**138,720**	119,290	**572**	652
Other taxes and levies payable	**27,435**	25,079	**–**	–
Quality guarantee deposits from suppliers	**64,233**	56,208	**–**	–
Payables for purchase of equipment	**21,151**	31,257	**19,364**	–
Payables for transportation fee	**38,245**	41,497	**–**	–
Accrued share issue expenses	**–**	37,596	**–**	37,596
Others	**77,318**	70,435	**3,112**	3,589
	821,139	916,660	**23,048**	41,837

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

25 Borrowings – Group

	2008	2007
	RMB'000	RMB'000
Current:		
Short term bank borrowings		
– secured	**–**	162,569
– unsecured	**8,562**	133,606
Total borrowings	**8,562**	296,175

The carrying amounts of the borrowings are denominated in the following currencies:

	2008	2007
	RMB'000	RMB'000
Bank borrowings		
– RMB	**–**	73,000
– USD	**8,562**	223,175
Total borrowings	**8,562**	296,175

25 Borrowings – Group (continued)

The effective weighted average interest rates per annum at year end are as follows:

	2008	2007
Bank borrowing, secured		
– RMB	**–**	5.83%
– USD	**–**	6.04%
Bank borrowing, unsecured		
– RMB	**–**	5.71%
– USD	**2.66%**	5.72%

Bank borrowings are at floating interest rates, the carrying amounts of the borrowings approximate their fair values as at the balance sheet dates.

The Group has the following undrawn bank borrowing facilities:

	2008 RMB'000	2007 RMB'000
RMB facilities	**1,397,504**	1,817,001
USD facilities	**370,759**	279,381
HKD facilities	**22,048**	46,819
	1,790,311	2,143,201

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

26 Other losses – net

	2008 RMB'000	2007 RMB'000
Gains on disposal of property, plant and equipment, net	**1,075**	2,346
Others	**(5,503)**	(3,408)
	(4,428)	(1,062)

27 Other income

	2008 RMB'000	2007 RMB'000
Government grants	**37,637**	16,592
Sales of raw materials	**13,634**	13,341
Interest income on loans lent to related parties (Note 38(a))	**–**	3,290
Rental income from lease of property, plant and equipment	**1,495**	3,220
Consultation service income (Note 38(a))	**1,088**	247
Dividend income from available-for-sales financial assets	**3,135**	1,686
Others	**5,213**	1,989
	62,202	40,365

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 which are credited to the consolidated income statement directly.

28 Expenses by nature

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

	2008 RMB'000	2007 RMB'000
Raw materials, packaging materials, consumables and purchased commodity used	**5,167,872**	5,001,906
Changes in inventories of finished goods	**34,869**	(12,333)
Manufacturing outsourcing expenses	**137,934**	116,240
Promotion and advertising expenses	**1,013,453**	1,030,888
Employee benefit expenses, including directors' emoluments (Note 29)	**881,335**	764,472
Transportation expense	**477,564**	427,273
Amortisation of leasehold land (Note 7)	**3,855**	3,960
Depreciation of property, plant and equipment (Note 8)	**300,512**	307,071
Amortisation of intangible assets (Note 9)	**55,530**	55,749
Travelling expenses	**75,735**	60,030
Operating lease in respect of buildings	**65,904**	48,750
Property tax and other taxes	**33,646**	19,960
Reversal of provision for impairment of property, plant and equipment (Note 8)	**(1,164)**	(100)
Write-down of inventories to net realisable value (Note 14)	**2,702**	4,521
Provision/(reversal of provision) for impairment of trade receivables and prepayments (Notes 15 and 16)	**100,425**	(5,268)
Auditors' remunerations for the year	**5,252**	3,687
Machinery maintenance expenses	**131,177**	93,317
Water and electricity expenses	**97,513**	91,825
Others	**195,680**	141,183
Total	**8,779,794**	8,153,131

Notes to the Consolidated Financial Statements

29 Employee benefit expenses, including directors' emoluments

	2008 RMB'000	2007 RMB'000
Wages and salaries	**760,460**	689,625
Pension and other social welfare	**95,481**	58,417
Staff quarters and housing benefit	**18,814**	13,069
Other benefit	**6,580**	3,361
	881,335	764,472

(a) Directors' emoluments

During the years ended 31 December 2008 and 2007, 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
2008				
Executive directors				
Mr. Lo Chih-Hsien (羅智先)	55	332	6	393
Mr. Lin Wu-Chung (林武忠)	48	1,221	6	1,275
Non-executive directors				
Mr. Kao Chin-Yen (高清愿)	90	–	–	90
Mr. Lin Chang-Sheng (林蒼生)	76	–	6	82
Mr. Lin Lung-Yi (林隆義)	76	–	6	82
Mr. Su Tsung-Ming (蘇崇銘)	42	–	–	42
Independent Non-executive directors				
Mr. Chen Sun-Te (陳聖德)	208	–	–	208
Mr. Fan Ren-Da, Anthony (范仁達)	208	–	–	208
Mr. Hwang Jenn-Tai (黃鎮台)	208	–	–	208
Mr. Yang Ing-Wuu (楊英武)	208	–	–	208
Mr. Peter Lo (路嘉星)	208	–	–	208
	1,427	1,553	24	3,004

29 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
2007				
Executive directors				
Mr. Lo Chih-Hsien (羅智先)	24	146	6	176
Mr. Lin Wu-Chung (林武忠)	21	987	6	1,014
Non-executive directors				
Mr. Kao Chin-Yen (高清愿)	40	–	–	40
Mr. Lin Chang-Sheng (林蒼生)	40	–	6	46
Mr. Lin Lung-Yi (林隆義)	33	–	6	39
Mr. Su Tsung-Ming (蘇崇銘)	18	–	–	18
Independent Non-executive directors				
Mr. Chen Sun-Te (陳聖德)	91	–	–	91
Mr. Fan Ren-Da, Anthony (范仁達)	91	–	–	91
Mr. Hwang Jenn-Tai (黃鎮台)	91	–	–	91
Mr. Yang Ing-Wuu (楊英武)	27	–	–	27
Mr. Peter Lo (路嘉星)	27	–	–	27
	503	1,133	24	1,660

Mr. Lin Wu-Chung (林武忠) receives the above remuneration for his services as both general manager of President Enterprises (China) Investments Co., Ltd. ("President China Investments") and executive director of the Company.

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 2008 include one (2007: one) director, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2007: four) individuals during the year are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,107**	2,410
In the band of:		
Nil to RMB1,000,000	**2**	4
RMB1,000,001 to RMB2,000,000	**2**	–

Notes to the Consolidated Financial Statements

30 Finance costs-net

	2008 RMB'000	2007 RMB'000
Interest expenses on short term bank borrowings	**5,566**	28,990
Net foreign exchange losses	**151,976**	11,369
Finance costs	**157,542**	40,359
Finance income – interest income on cash and cash equivalents	**(80,873)**	(22,676)
Finance costs – net	**76,669**	17,683

31 Income tax expense

	2008 RMB'000	2007 RMB'000
Current tax		
– Mainland China Corporate Income tax	**132,726**	90,944
Deferred tax (Note 13)	**(34,419)**	(30,483)
	98,307	60,461

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% (2007: 33%) applicable to profits of the consolidated entities as follows:

	2008 RMB'000	2007 RMB'000
Profit before tax	**442,148**	484,466
Tax calculated at the statutory tax rate in the PRC	**110,537**	159,874
Tax effects of:		
Change in tax rate due to the New CIT Law	**(3,868)**	(3,641)
Preferential tax rates on the profit of certain subsidiaries	**(61,135)**	(143,797)
Tax losses for which no deferred tax asset was recognised	**47,754**	24,794
Previously unrecognised tax losses recognised as deferred tax assets	**–**	(4,231)
Share of the results of jointly controlled entities	**184**	13,464
Expenses not deductible for tax purpose	**4,835**	13,998
Income tax expense	**98,307**	60,461

31 Income tax expense (continued)

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 shall determine and pay the Corporate Income Tax ("CIT") in accordance with the New CIT Law as approved by the National People's congress on 16 March 2007 and 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 were 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.

32 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 loss of approximately RMB98,433,000 (2007: approximately RMB23,844,000).

33 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.

	2008 **RMB'000**	2007 RMB'000
Profit attributable to equity holders of the Company	**343,841**	424,005
Weighted average number of ordinary shares in issue (thousands)	**3,597,455**	3,020,206
Basic earnings per share (RMB per share)	**9.56 cents**	14.04 cents

In determining the number of shares in issue for the year ended 31 December 2007, a total of 3,000,000,000 shares issued at the incorporation of the Company and pursuant to the Capitalisation Issue prior to the Listing are deemed to have been issued since 1 January 2007.

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

34 Dividends

	2008 RMB'000	2007 RMB'000
Proposed final dividend of RMB2.866 cents (2007: Nil) per ordinary share	**103,160**	–
Proposed special dividend of RMB1.910 cents (2007: Nil) per ordinary share	**68,749**	–
	171,909	–

The directors of the Company recommend the payment of a final dividend of RMB2.866 cents (2007: Nil) and a special dividend of RMB1.910 cents (2007: Nil) per ordinary share, totalling approximately RMB171,909,000 (2007:Nil) for the year ended 31 December 2008. Such dividends are to be approved by the shareholders of the Company at the Annual General Meeting to be held on 1 June 2009. These consolidated financial statements do not reflect this dividends payable.

35 Cash generated from operations

	2008 RMB'000	2007 RMB'000
Profit before income tax	**442,148**	484,466
Adjustments for:		
– Share of losses of jointly controlled entities	**734**	40,800
– Amortisation of leasehold land (Note 7)	**3,855**	3,960
– Depreciation of property, plant and equipment (Note 8)	**300,512**	307,071
– Amortisation of intangible assets (Note 9)	**55,530**	55,749
– Gains on disposal of property, plant and equipment (Note 26)	**(1,075)**	(2,346)
– Reversal of provision for impairment of property, plant and equipment (Note 8)	**(1,164)**	(100)
– Write-down of inventories to net realisable value (Note 14)	**2,702**	4,521
– Provision/(reversal of provision) for impairment of trade receivables and prepayments (Note 15 and 16)	**100,425**	(5,268)
– Interest income on loans lent to related parties (Note 38(a))	**–**	(3,290)
– Interest income on cash and cash equivalents (Note 30)	**(80,873)**	(22,676)
– Interest expenses (Note 30)	**5,566**	28,990
– Foreign exchange losses on cash and cash equivalents	**161,411**	–
– Dividend income from available-for-sales financial assets (Note 27)	**(3,135)**	–
	986,636	891,877
Changes in working capital:		
– (Increase)/decrease in pledged bank deposits	**(10,803)**	21,316
– Decrease in trade and bills receivables	**17,602**	33,798
– (Increase)/decrease in prepayments, deposits and other receivables	**(89,133)**	24,608
– Decrease/(increase) in inventories	**12,918**	(68,892)
– Increase in trade and bills payables	**41,785**	3,372
– (Decrease)/increase in other payables and accruals	**(85,213)**	309,163
Cash generated from operations	**873,792**	1,215,242

36 Contingent liabilities

	2008 **RMB'000**	2007 RMB'000
Guarantees to related parties	**246,691**	150,270

As at 31 December 2008, the Group provides guarantees for the bank borrowings and finance leases of Jinmailang JV (Note 11).

37 Commitments

(a) Capital commitments

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

	2008 **RMB'000**	2007 RMB'000
Contracted but not provided for	**21,187**	1,035
Authorised but not contracted for	**280,405**	250,837
	301,592	251,872

There is no capital commitment of the Company as at 31 December 2008.

(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:

	2008 **RMB'000**	2007 RMB'000
Not later than 1 year	**22,578**	20,601
Later than 1 year and not later than 5 years	**14,048**	37,052
	36,626	57,653

37 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:

	2008 **RMB'000**	2007 RMB'000
Not later than 1 year	**945**	810
Later than 1 year and not later than 5 years	**3,780**	3,848
	4,725	4,658

(c) Investment commitments

As at 31 December 2008, the Group has commitments in respect of capital contribution to investments as follows:

(i) Pursuant to a subscription agreement entered into in July 2005, the Group was committed to subscribe up to 15% equity interests in Wondersun Dairy for a subscription amount of RMB300,000,000 in aggregate. The Group paid the first phase subscription of approximately RMB136,364,000 for 9% equity interests in Wondersun Dairy in 2006 (Note 12). Pursuant to a supplementary subscription agreement entered into on 12 July 2007, it was agreed that the Group will not proceed with the second phase subscription as agreed under the original subscription agreement in July 2005. However, the Group retains the first right of refusal to the subscription of new shares of Wondersun Dairy in the future subject to the terms and conditions thereafter.

(ii) In June 2008, the Group entered into an agreement with other investors in respect of the establishment of a Sino-foreign co-operative joint venture in the PRC, which shall be named as China F&B Venture Investments (華穗食品創業投資企業) for the purpose of investments in companies engaging in food and beverage business in the PRC. Pursuant to the agreement, the Group has agreed to subscribe, in aggregate, 39.74% of the total registered capital of China F&B Venture Investments at a total subscription price of RMB245,000,000. Up to the date of approval of these consolidated financial statements, the approval certificate to establish China F&B Venture Investments has been obtained. China F&B Venture Investments is in the process of establishment.

38 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 Uni-President. The directors of the Company are of the view that the subsidiaries of Uni-President and the jointly controlled entities of the Group are regarded as related parties.

(a) Transactions with related parties:

The following transactions are carried out with related parties:

	Note	**2008 RMB'000**	2007 RMB'000
Continuing transactions			
Sales of goods:	(i)		
Subsidiaries of Uni-President		**17,580**	22,873
Jointly controlled entities of the Group		**3,329**	1,118
		20,909	23,991
Purchase of raw materials and finished goods:	(i)		
Subsidiaries of Uni-President		**490,497**	533,310
Jointly controlled entities of the Group		**41,127**	9,595
		531,624	542,905
Consultation service income:	(ii)		
Subsidiaries of Uni-President		**360**	247
Jointly controlled entities of the Group		**728**	–
		1,088	247
Discontinued transactions			
Interest income on loans lent to related parties:	(iii)		
Subsidiaries of Uni-President		**–**	3,290
Rental income:	(iv)		
A subsidiary of Uni-President		**1,082**	–

Notes:

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

(ii) 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 agreement made between the parties.

(iii) Interest income is charged to related parties in accordance with the terms of agreement made between the parties, which are determined by reference to the prevailing market rates of borrowings.

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

38 Related party transactions (continued)

(b) Balances with related parties:

The Group has the following significant balances with its related parties as at 31 December 2008:

	2008 RMB'000	2007 RMB'000
Balances due from related parties:		
Trade receivables (Note 15):		
Subsidiaries of Uni-President	**1,513**	1,837
Prepayments (Note 16):		
Subsidiaries of Uni-President	**12,064**	5,023
Non-trade receivables (Note 16):		
Subsidiaries of Uni-President	**1,147**	14,366
Jointly controlled entities of the Group	**477**	–
	1,624	14,366
Total	**15,201**	21,226
Balances due to related parties:		
Trade payables (Note 23):		
Subsidiaries of Uni-President	**31,878**	30,689
Jointly controlled entities of the Group	**1,290**	627
Total	**33,168**	31,316

The above 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.

All non-trade receivables due from subsidiaries of Uni-President are settled by March 2009.

(c) Key management compensation:

	2008 RMB'000	2007 RMB'000
Salaries, bonus and other welfares	**6,667**	5,604

39 Subsidiaries

The following sets out the details of the principal subsidiaries of the Company as at 31 December 2008.

Company name	Country/Place and date of incorporation	Issued and paid-up capital	Equity interest held		Principal activities/ place of operation
			2008	2007	
Directly owned					
Uni-President Asia Holdings Ltd. ("Asia President")	Cayman Islands, 29 June 2006	USD179,470,000	**100%**	100%	Investment holding/Cayman islands
Indirectly owned					
President China Investment	Shanghai, PRC. 10 March 1998	USD421,620,000	**100%**	100%	Investment holding/PRC
新疆統一企業食品有限公司 (Xinjiang President Enterprises Food Co., Ltd.*) ("Xinjiang President")	Urumqi, PRC. 13 January 1992	USD15,500,000	**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 Food President")	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 President")	Chengdu, PRC. 14 April 1993	USD35,000,000	**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 President")	Kunshan, PRC. 14 May 1993	USD44,000,000	**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 President")	Wuhan, PRC. 7 July 1993	USD29,600,000	**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 President")	Guangzhou, PRC. 5 December 1994	USD48,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
瀋陽統一企業有限公司 (Shenyang President Enterprises Co., Ltd.*) ("Shenyang President")	Shenyang, PRC. 15 June 1995	USD29,900,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC

39 Subsidiaries (continued)

Company name	Country/Place and date of incorporation	Issued and paid-up capital	Equity interest held 2008	Equity interest held 2007	Principal activities/ place of operation
Indirectly owned					
合肥統一企業有限公司 (Hefei President Enterprises Co., Ltd.*) ("Hefei President")	Hefei, PRC. 23 February 1998	USD10,000,000	**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 President")	Harbin, PRC. 26 February 1998	USD25,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
廣州萬盛實業有限公司 (Guangzhou Wan Sheng Industrial Co., Ltd.*) ("Guangzhou Wansheng")	Guangzhou, PRC. 6 May 1999	RMB22,000,000	**100%**	100%	Investment holding and trading of instant noodles/PRC
北京統一飲品有限公司 (Beijing President Enterprises Drinks & Food Co., Ltd.*) ("Beijing Beverages President")	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 President")	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 President")	Fuzhou, PRC. 19 July 2001	USD10,000,000	**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.*) ("Sichuan Hongtong")	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 President")	Zhengzhou, PRC. 25 June 2002	USD27,000,000	**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 President Health Biotechnology")	Guangzhou, PRC. 4 November 2003	USD3,500,000	**100%**	100%	Manufacturing and sale of beverages/PRC

39 Subsidiaries (continued)

Company name	Country/Place and date of incorporation	Issued and paid-up capital	Equity interest held		Principal activities/ place of operation
			2008	2007	
Indirectly owned					
統一(上海)商貿有限公司 (President (Shanghai) Trading Co., Ltd.*) ("President Shanghai Trading")	Shanghai, PRC. 17 October 2005	USD600,000	**100%**	100%	Trading of beverages, instant noodles and food products/ PRC
统仁實業股份有限公司 (Tong Ren Corp. Limited*) ("Tong Ren")	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 President")	Kunming, PRC. 8 November 2007	USD20,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
皇茗資本有限公司 (Champ Green Capital Limited.) ("Champ Green Capital")	Hong Kong 5 June 2008	HKD1,000,000	**100%**	–	Investment holding/Hong Kong

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.

40 Events after the balance sheet date

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2008:

(a) On 6 February 2009, the Group entered into a memorandum of understanding (the "MOU") with Andre Juice (Note 12) for the formation of a joint venture company in Shandong, the PRC (the "Joint Venture Company"), which will engage in the production of beverage products for the Group and other third parties. The Joint Venture Company will be owned as to 50% by each of Andre Juice and the Group, and both parties will each contribute RMB50 million to the registered capital of the Joint Venture Company. Andre Juice will also transfer certain land use rights to the Joint Venture Company.

(b) In December 2008, the Group entered into a conditional share purchase agreement for the acquisition of, in aggregate, 451,130,807 domestic shares of Andre Juice (Note 12), representing approximately 10.58% of the total issued share capital of Andre Juice, at the aggregate consideration of RMB158,798,044 (equivalent to approximately HKD180,452,323). The conditions set out in the share purchase agreement were satisfied up to 15 April 2009.