統一企業中國控股有限公司
UNI-PRESIDENT CHINA HOLDINGS LTD.
(a company incorporated in the Cayman Islands with limited liability)
(一家於開曼群島註冊成立的有限公司)
(Stock Code 股份編號: 220)

年報
ANNUAL REPORT 2011

Contents

Corporate Information

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

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

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

PLACE OF BUSINESS IN HONG KONG
Unit 703A, 7/F., Golden Centre
188 Des Voeux Road Central
Hong Kong

WEBSITE ADDRESS
www.upch.com.cn

COMPANY SECRETARY
Ms. Ma Sau Kuen, Gloria

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

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

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

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

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISERS
Chiu & Partners Solicitors
40th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SUMMARY OF RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**16,931,929**	12,590,784	9,108,610	9,241,571	8,656,777
Gross profit	**4,942,612**	4,043,057	3,616,667	3,155,718	2,914,680
Profit before income tax	**396,391**	682,465	896,471	442,148	484,466
Income tax expense	**(84,451)**	(163,397)	(191,589)	(98,307)	(60,461)
Profit for the year	**311,940**	519,068	704,882	343,841	424,005
Profit attributable to equity holders of the Company	**311,940**	519,068	704,882	343,841	424,005
Dividends	**93,582**	155,712	352,458	171,909	–
	RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Basic earnings per share	**8.67**	14.42	19.58	9.56	14.04

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**13,737,392**	9,580,685	8,153,803	7,124,981	6,955,079
Total liabilities	**6,926,497**	2,921,148	1,699,977	1,382,439	1,770,252
Total equity	**6,810,895**	6,659,537	6,453,826	5,742,542	5,184,827
Cash and cash equivalents	**2,369,050**	2,427,362	3,359,788	3,272,859	3,411,868
Net current (Liabilities)/assets	**(469,559)**	1,497,772	2,812,972	2,825,641	2,585,485

Chairman's Statement

Global economy went into recession in 2011 as the US economy continued to wane and the European countries were in a debt crisis sparked by sovereign debts. International credit ratings agencies downgraded the sovereign ratings of some European countries and the credit ratings of various financial institutions. Moreover, the long-ailing Japanese economy suffered from a further blow in March after the earthquake and tsunami, which caused tremendous economic losses and casualties and, more fatally, nuclear pollution caused by radiation leak at Fukushima nuclear plants. Under the effective leadership of the government, the Chinese economy endured a chaotic year of 2011 and recorded a gross domestic product ("GDP") growth of 9.2%, indicating the improvement in people's livelihood and the growing consumption demand.

In the face of the challenges posed by rocketing raw materials prices and fierce competition, Uni-President China Holdings Ltd. (the "Company" and, together with its subsidiaries, the "Group") endeavored to focus on its key products by improving its product mix. With a practical, progressive and effective implementation of such strategy, the Group's revenue grew by 34.5% to RMB16,931.9 million in 2011. Sales of several products reached a record high with over RMB10,000 million for drinks and RMB5,000 million for instant noodles, and we look forward to another prosperous year in 2012.

The solid operating foundation, the sound financial position, the core competitiveness and efficient operating management allowed us to expand its market share and accomplish the operating targets set by the board of directors of the Company through organisational advancement and increased marketing. In order to achieve the corporate goals, we have stepped up the modification of our internal structure, improved our product mix and enhanced our management. The continual improvement of product portfolio and profitability was the most important element in assessing segment performance. Through better control over operating expenses and overheads and streamlining operation, our overall competitiveness was enhanced with higher organisational efficiency. We have also prepared for any future market opportunities by speeding up the construction of production base and increasing investments. The highlights of our work in 2011 are summarised as follows:

STAY FOCUSED IN BUSINESS STRATEGY AND STREAMLINE OPERATIONS

It is crucial to have a progressive operating plan in order to get ahead in the vast Chinese market. We opted to begin with building our advantages in selected regions by adapting our market strategies to local features. First, we set foot in selected cities where we can excel ourselves and gain competitive edges over industry peers, and our network stretched from such urban footholds to outer peripheral areas and other cities to allow consumers to purchase our products in major cities and nearby towns and rural areas. In the long run, market focus would also be placed on county-level cities with a population over 1 million with a view to centralise our resources input.

In 2011, we pursued the strategy of developing the mid-to-high end market of our instant noodles. Since the second half of 2008, we have adjusted the product mix by retaining only products which are well-performed and in line with our development strategies. Such approaches were proven effective as our key product, Lao Tan Pickled Cabbage and Beef Flavored Noodles (老壇酸菜牛肉麵), became the second favorite flavored noodles in China. Overall operating income from instant noodles soared by 67.3% compared to the corresponding period last year and hit its peak. We also introduced the second key product at the right time, Braised Meat Flavored Noodles (滷肉麵), which is hoped to be another driving force of the instant noodles business. The enhancement in the product mix of the instant noodles business has led to an outstanding profit of RMB165.1 million in 2011 and created a healthier product structure. Looking forward, we will make further investments into brand building so as to work towards corporate goals and achieve better results.

For the drinks business, we recorded a revenue of RMB10,688.6 million in 2011, increased by 21.5% compared with the corresponding period last year. Despite the middling performance of tea drinks due to the sentiment of the operating environment and industry, our juice drinks and milk tea posted satisfactory results, particularly the robust growth of the milk tea business which secures a market share of over 60.2%. The Group will adhere to its key product strategy and develop products which are well-liked by consumers and with high value for money to achieve better operations with an aim to offer quality products and acquire greater profits.

VIGOROUSLY EXPAND PRODUCTION CAPABILITY AND SET UP NEW PRODUCTION BASE

The Group has implemented its plant expansion plan, in which new production bases will be set up in various locations and new production lines will be added to existing production bases to replace obsolete ones. The objective of the plan is to boost overall productivity and it is anticipated that the Group will enter into a stage of rapid capacity expansion in 2012 and 2013. The introduction of new production lines with advanced technology will relieve the problem of capacity shortage, long transport distance and delivery time control.

FUTURE PROSPECTS

Even with the uncertainties of the global economy, it is expected that the Chinese economy will be able to sustain a steady growth under the national policy of stimulating internal demand. The government's constant efforts in narrowing the gap between urban and rural areas will bring about structural changes to the consumption market, and the rising disposal income per capita will offer tremendous development opportunities for the fast-moving consumer goods, food, beverages and retailing industries.

Under the guidance of the Twelve Five-Year Plan, the four East-West corridors and four North-South corridors of the high-speed rail network will significantly reduce travel distance and time, thereby expanding the "one-day living circle". The top six special economic zones will steer the country's economic development by spreading their economic influence over other developing areas.

By taking a pragmatic attitude towards its development, the Group will observe the direction of government policies and focus on developing its target markets. It is believed that with a progressive development of our market presence, together with our popular products and excellent product mix, we will be able to generate higher operating income and profit.

GOALS AND STRATEGIES

The operating goals of the Company are to bring shareholders' value to a maximum and constantly offer quality and well-received products to consumers. We will adhere to the following key principles in our long-term growth strategies:

1. To become a leading global enterprise by showing care and concern:

   In our goal of developing globally, we aim at integrating into local communities by paying extra attention in localising our operations and showing our care and concern about enhancing the prosperity and development of local economies.

2. To please our customers and stay ahead of the industry:

 We emphasise on adapting to local operating environments with high flexibility and establishing an effective system for handling customer feedbacks. By bearing the idea of putting customers first in our marketing objectives, we devote considerable resources to satisfy the demand of end consumers.

3. To inherit and maintain the core values of the corporation:

 We believe that some important virtues are necessary in our acts: be honest, work hard, be innovative, dare to change, be optimistic and positive, have a good attitude and be harmonious. We also treasure our following corporate values: be strong, be fair, think positive, stay humble, be considerate, think well, be upright, respect what we do, share happiness and be thankful for the society.

4. To recruit local talents to form operation teams with a global perspective:

 We hire local talents and cultivate them to exhibit their edges for contributing to the Group. We require our operation teams to possess global perspectives and visions and the expertise in global operations.

5. To establish an operating and management system which stresses product quality and safety:

 The first priority in our operating focus is to provide consumers with quality and safe products by closely monitoring our production and supply chain.

ACKNOWLEDGEMENT

The sustainable development of the Company rides on the staunch support and concerted efforts of different parties. On behalf of the board of directors, I herby extend my sincere gratitude to our clients, suppliers, business partners and shareholders for their full support and to our staff for their dedications and contributions over the past year.

Lo Chih-Hsien
Chairman

27 March 2012

Management Discussion & Analysis

ECONOMIC ENVIRONMENT

In 2011, the world was shaken by continuous setbacks in the major economies such as the spreading debt crisis in the Euro zone and the escalating risk of economic depression in the United States. However, the Chinese economy benefited from the reviving domestic demand and the effective implementation of macroeconomic control measures and recorded a GDP for the year of approximately RMB47,156.4 billion, representing a growth of 9.2% as compared with 2010. The overall economy saw a stable growth and total national retail sales of consumer products for the year were approximately RMB 18,391.9 billion, representing an increase of 17.1% compared with last year. Urban retail sales of consumer products amounted to approximately RMB15,955.2 billion, jumped by 17.2% from last year, while rural retail sales of consumer products were approximately RMB2,436.7 billion, increased by 16.7% from last year. The vigorous demand in the general consumer market, as proven by the double-digit growth of sales of consumer goods in urban and rural areas, presented business opportunities for many different industries and drove the sales growth of the Group's products such as instant noodles and beverages.

BUSINESS REVIEW

After reaching the new milestone of over RMB10 billion in revenue in 2010, the Group will continue to implement its focused operating strategies, improve its product mix and adopt a pragmatic approach in operations, so as to deliver better results under the leadership of its new president. The Group's profit was under pressure due to the hiking raw materials prices, as the prices of major raw materials of the Group's products, such as polyester chips and sugar for its beverages and palm oil for its instant noodles increased by 20-30% and more than 30%, respectively. A description of the Group's principal businesses is as follows.

FINANCIAL RESULTS

For the year ended 31 December 2011 (the "year under review"), the Group recorded a revenue of RMB16,931.9 million, representing an increase of 34.5% from RMB12,590.8 million for the corresponding period of last year. Revenue from the instant noodles and beverages products amounted to RMB5,936.3 million and RMB10,688.6 million respectively, accounting for 35.1% and 63.1% respectively of the Group's total revenue. During the year under review, gross profit increased by 22.2% to RMB4,942.6 million while gross profit margin dropped 2.9 percentage points from 32.1% for the corresponding period of last year to 29.2%. During the year under review, in spite of the surging revenue from beverages products and instant noodles of 21.5% and 67.3% respectively as compared with the corresponding period of last year, gross profit margin dropped due to the hiking prices of raw materials. In light of the continuous and rapid growth of the Chinese economy during the year, the Group expanded its customer base, developed new markets and enhance its sales network by actively implementing its marketing strategies of increasing television advertising and enhancing product promotion across the country, causing selling and marketing expenses for the year under review to increase to RMB4,292.4 million (2010: RMB3,291.5 million). During the year under review, administrative expenses increased by 69.1% to RMB548.2 million (2010: RMB324.1 million), which was mainly attributable to the expansion of operating scale in line with the Group's business expansion plan and the increase in staff cost in relation to the hiring of professional management talents for meeting the requirements of rapid capacity expansion in 2012 and 2013. Profit attributable to equity holders of the Company amounted to RMB311.9 million, dropped 39.9% from RMB519.1 million for the corresponding period of last year. During the year under review, bank deposits of the Group were mainly denominated in Renminbi. Net finance income for the year increased to RMB95.1 million (net finance income for 2010: RMB55.2 million) due to the proper allocation of the Group's financial assets. In addition, share of results of jointly controlled entities and associates fell by 41.9% to RMB40.1 million (2010: RMB69.0 million) due to the decrease in earnings of Jinmailang Beverage (Beijing) Co., Ltd. during the year. During the year under review, earnings per share were RMB8.67 cents (2010: RMB14.42 cents).

Management Discussion & Analysis

Instant Noodles Business

In 2011, the Group's instant noodles business saw a significant growth with an annual revenue of approximately RMB5,936.3 million, increased by 67.3% compared to the corresponding period last year. According to ACNielsen, its annual market share reached 13.5%, rose by 4 percentage points from 9.5% in 2010. The Group's key product, Lao Tan Pickled Cabbage and Beef Flavored Noodles（老壇酸菜牛肉麵）, has become popular across the nation and ranked second among the top-selling flavors.

ACNielsen's 2011 research reported a drop of 1.9% from 2011 in general sales of instant noodle sale with sales figures rising by 15.2%, indicating a trend towards a mid-to-high pricing. Since the second half of 2008, the Group has adopted a core strategy of mid-to-high priced instant noodles, with Lao Tan Pickled Cabbage and Beef Flavored Noodles as the focal product, which has seen remarkable results of rapid growth for three consecutive years. Such overwhelming success has driven the sales growth of pickled vegetable flavored instant noodles and attracted industry peers to launch similar products, thereby bringing major changes in the flavors offered in the general market. According to ACNielsen, market share of pickled cabbage and beef flavored noodles surged to 10.7% in 2011 from 5.3% in 2010, while that of braised beef flavored and spicy beef flavored noodles went down by 3.0% and 0.3% respectively, proving that pickled cabbage and beef flavored noodles have successfully gained market share from other flavors and well started a trend. Among the 10.7% market share attributable to pickled cabbage and beef flavored noodles, the Group's Lao Tan Pickled Cabbage and Beef Flavored Noodles accounted for 7.3%, hence securing a leading market position. Compared with other top-selling flavors which have been on market for many years, the Group believes that Lao Tan Pickled Cabbage and Beef Flavored Noodles will have enormous development potential in the future. By continuously implementing our effective key product strategy, revenue of the Group's instant noodle has been on the upswing for three consecutive years at a rate far above the market average. Moreover, in its concerted effort to improve its product mix, the Group also recorded an increase in gross profit for 2011 despite constantly high raw materials prices. Getting over its loss-making trend, the Group achieved a profit of RMB165.1 million, which has laid a solid foundation for future expansion.

In 2012, the Group will maintain its focus on Lao Tan Pickled Cabbage and Beef Flavored Noodles. Under the experience-oriented marketing campaign featuring "A Perfect Experience of Sourness and Al Dente Texture", the Group allowed consumers to experience such "unbelievable sourness and crispness" from the senses of sight, smell and taste, and has approached hundred millions of new consumers and established a base of over 35 million loyal consumers. While focusing on Lao Tan Pickled Cabbage and Beef Flavored Noodles, the Group also set its sights on the even larger market of non-spicy flavors and launched another key product, which is inspired by braised meat, a traditional Sichuan cuisine very popular among Chinese consumers. The highlight of the newcomer, Braised Meat Flavored Noodles（滷肉麵）, is the rich and unique braised meat sauce. The trial launch of the Braised Beef Flavored Noodles（滷香牛肉麵）took place in August 2011 in eastern, central and southwestern China, with a series of marketing campaigns including free tasting and experience at experience stations and water vans under the theme "Enjoy the Perfect Taste of Braised Meat" to allow tasting the "unbelievably rich aroma of braised meat". The trial launch has been performing well, and it is anticipated that the product will follow the successful mode of Lao Tan Pickled Cabbage and Beef Flavored Noodles after its official nationwide launch in 2012 and give renewed impetus to the growth and expansion of the Group's instant noodle business.

Management Discussion & Analysis

By taking advantages of the popularity of its featured products, the Group continued to expand its channel network and put more resources in seeking new customers. After three years of effort, the Group has completed its dealers or distributors network in the southern Chinese market from first-tier cities to prefecture-level cities, counties and rural towns. It has also completed the construction of the dealer network from first-tier cities to prefecture level cities in northern China, while that in county-level cities and rural towns is expected to be completed in 2012.

With a good track record in sales, the Group enjoyed greater benefits in the media including major satellite TV stations, local TV stations in China and, most importantly, China Central Television for a nationwide media coverage to boost product sales. In its promotion campaign, the Group emphasises the "unbelievable sourness and crispness" of Lao Tan Pickled Cabbage and Beef Flavored Noodles and continues to invite renowned TV program host Mr. Wang Han as pitchman, who introduces consumers to the unbelievably divine taste of such unique product and induces their food craving with his TV commercials. The Group will also devote considerable resources in pursuing media coverage of its second featured product, Braised Meat Flavored Noodles, so as to capture market share.

Despite the global economic environment, demand and supply relations and climate change as well as the rising price of major raw materials of instant noodles in China, the profitability of the Group's instant noodle business improved significantly, which was mainly due to the Group's vigorous adjustments in three aspects to operations as follows:

1. Higher selling price and hence higher gross profit as the Group successfully passed some of the costs by raising the prices of bowl noodles and packet noodles during the year.

2. Selective input of cost of sales and economies of scale for better use of resources, and the increasing marginal benefits due to the drop in share of fixed costs.

3. Better product mix through vigorous development of container noodles, which are of higher gross profit, and high-priced products with high margin to enhance profitability. In 2011, sales of the Group's container noodles accounted for nearly fifty one per cent of that of the instant noodles and the proportion was far exceeding that of packet noodles and snack noodles with lower gross profit. Soup Expert（湯達人）, another product line with high gross profit, attained a 19.5% growth in 2011 and has secured a position in the high-end market.

In view of the growing demand for its instant noodles, the Group will set up a new production base in Changsha and replace part of its obsolete production lines with high-speed ones in 2012 to enhance production capacity. It also intends to improve production efficiency and productivity by rearranging the geographical distribution of its production bases and upgrading its production lines.

Management Discussion & Analysis

Beverage Business

Tea Drinks

The tea drinks market struggled with sluggish growth in 2011. According to ACNielsen, general sales of beverages went up by 10.9%, compared to 10.8% in 2010, and tea drinks (excluding milk tea) only increased by 0.2%, compared to the rapid growth of 16.7% in 2010, proving the tea drinks (excluding milk tea) market was experiencing a slowdown. The higher number of overcast and rainy days during the peak season for tea drinks in 2011 and the large promotion campaign "One More" since 2009 have resulted in a noticeable shift in consumer preference to bottled water and milk tea, as evidenced by their high growth rate. On the other hand, the monotonous and uninteresting promotion activities and the inability to meet changing consumer needs also caused the tea drinks market to weaken.

The unexceptional performance of the Group's tea drinks business in 2011 was in line with the industry and the market share stood at 19.6% based on ACNielsen's research. During the year, the Group launched a special edition of its key product, Uni Ice Tea（統一冰紅茶）, featuring the global smash hit Kung Fu Panda to stimulate sales among young consumers. Besides, the Group invited Mr. Sun Honglei, a TV and movie star, for his endorsement for Uni Green Tea（統一綠茶）to promote the brand philosophy "Uni Green Tea, Good & Natural!". In view of the overall slowdown of the sector, the operating performance of tea drinks business was middling despite the Group's efforts,

In 2012, the Group will carry on with its focused product strategy and continue to put resources in promoting Uni Ice Tea and Uni Green Tea mix, the two products of our tea drinks business. Initiatives include improving the formula and changing the packaging to appeal to target consumers and devoting extra marketing resources for further brand-building to attract new consumers. The Group will carry on using the slogan "Youth Unlimited" in its promotional campaign of Uni Ice Tea and will improve the taste and packaging to give a irresistible freshness of the product. Furthermore, to connect with young consumers, the Group will join China X-game, a first-rate and the most influential event of extreme sports in China, in organising the nationwide event "Skateboarding Unlimited" to highlight the brand images of "Show the true self, stay young, express individuality and leap without limits" through the skateboarding event. For Uni Green Tea, to echo with its brand image of naturalness, the Group will deliver new marketing campaigns themed "Experience Lake Kanas and feel the nature" in 2012. By using online media and advertisements as the marketing channels, such connection with major scenic spots in China will enhance the natural image of Uni Green Tea besides online media.

With regard to sales channels, the Group will seek to build an extensive network comprising retailers, refrigerators and heated containers, and it is expected that over 210,000 refrigerators will be places at more than 95.0% of points of sales in 2012 to reach end customers. In light of the severe climate changes, the Group also intends to place heated containers in order to benefit from the capture the great demand for hot drinks and winter, thereby boosting winter sales.

The Group is confident that with the strategic adjustment during the fourth quarter of 2011 and the first quarter of 2012 to focus on its key products and operational improvements, its tea drinks business can resume growth momentum in 2012.

Juice Drinks

In 2011, sales of the Group's juice drinks jumped by 20.1% from last year to a record high, topping RMB3,000 million for the first time. The remarkable performance was mainly driven by the successful launch of the new Crystal Sugar Pear Drink（冰糖雪梨）and the steadily growth of the More series.

According to ACNielson, drinks with low concentration of juice still dominate the Chinese juice drinks market, accounting for 77.0% of all juice drinks in 2011. Such product was also the development focus of the segment. In 2011, general sales of juice drinks grew by 11.2% compared to the corresponding period last year, while that of the Group's juice drinks was 8.9 percentage points higher than the market average, and the market share increased by 0.3%.

In 2011, prices of Brazilian orange juice, white sugar and polyester chips, being the major raw materials of juice drinks, continued to soar, exerting immense pressure to the gross profit margin of juice drinks. In order to ensure its sustainable and sound development and to consider the interests of consumers, the Group began to moderately adjust the prices of the More series since March 2011 and controlled operating costs through restraining production costs, product mix and channel structures enhancement, as well as strict control over marketing expenses.

During the year, building on the success of its key product, "More" Orange Juice, the Group reiterated the brand concept of "Boosting Your Beauty with Vitamin C" of the "More" juice series in 2011 to drive sales of "More" Mango Juice, a product with high gross margin. This latest addition will revitalise the "More" series and create a new brand image. The Group carried out an on-campus marketing program of "Search for More Juice Beauties" for the small size (450ml) of juices after the end of school summer break in ten cities including Beijing, Shanghai and Guangzhou, successfully approached hundred thousands of students and built brand awareness among young consumers. The large size came onto the market, with the promotional campaign named "Start the New Year Off with More Juices", before the peak period of Chinese New Year in order to seize the high consumption. In 2011, the "More" series has strengthened its foundation by enduring challenges after the price increase.

In 2011, the new Crystal Sugar Pear Drink received wide acceptance among consumers with its unique flavor and its sense of quenching and soothing. The performance was outstanding amid fierce competition in the juice drinks market. By advertising with Taobao since September 2011, the product has had an online exposure of over 2,700 million times and a hit rate of over 20 million. Since its launch in March 2011, Crystal Sugar Pear Drink has became the second best-selling juice drinks of the Group, steering the overall growth of the juice drinks business and proving the Group's success in product differentiation.

Management Discussion & Analysis

The Group will redefine the brand characteristics of the More series through "image evolution" based on the changing consumer demand with time. Focus of the operating strategies will shift back to small packages by adjusting the proportion of large packages to small packages, and the product mix will be enhanced to achieve higher gross profit margin. The Group will improve the packaging and flavor of its juice drinks in order to create a brand new and fashionable image that can appeal to consumers. Under the essential brand philosophy of "Boosting Your Beauty with Vitamin C", the Group will build an image of refinement, sincerity and intelligence and shift the marketing focus from encouraging rational purchases based on product features to emphasising the "charm and confidence" in acquiring the product. By inviting pop idols for endorsement, the Group seeks to establish connections with youngsters and draw consumers' attention with their fame. Such effective promotion, fresh image and new promotion channel will be excellent promotional tools to enhance brand reputation and connect consumers with the product. It is believed that the effective combination of these promotional elements will contribute to the long-term success of the brand and the sustainable sales of the product.

The latest "Seasonal Drinks" series is a product line which meets the need for rapid brand expansion and caters to the increasing demand for natural and healthy drinks. Clinging to the aim of offering a sense of soothing, the series feature quenching drinks with a mild and pleasant taste. The series will carry an endorsement in the coming year and will be marketed to a wide range of consumers in the media during the first half of 2012.

The Group will go on with its strategy of a lean product structure for the juice drinks business in 2012 by retaining only competitive products with satisfactory sales and eliminating those unprofitable products. Resources will be allocated to key products so that the product mix can be enhanced. With the commencement of operation of new production lines, the Group is expected to reap the benefits of expanding production capacity and reducing transport distance.

Milk Tea

In 2011, the Group's milk tea business recorded a 181.0% surge in revenue compared with 2010. According to ACNielsen, its market share reached 60.2%, thus demonstrating the Group's leading position and big advantage over other competing brands.

The rapid growth of Assam Milk Tea（阿薩姆奶茶）in 2011 has fueled the fast expansion of the overall milk tea market and made the milk tea the leading brand in most of the cities across China. Assam Milk Tea was developed by the Group in 2009 with the help of consumer polls and market offering analyses and has quickly won huge market acceptance across the nation for its excellent silky texture and perfect balance between milk and tea. The Group will continue to launch new and quality milk tea products according to the wants of the consumers in order to further enhance the strength of the Uni Milk Tea（統一奶茶）brand and establish its image as the expert of milk tea.

The major marketing goal of the milk tea business in 2011 was to quickly enhance the brand recognition of Uni Milk Tea. Firstly, the Group's milk tea business has appointed Ms. Charlene Choi, a Hong Kong artist, as spokesperson to arouse the interest and liking of target consumers with her positive public image. Secondly, the Group increased its investment in media resources. In terms of television, TV commercials of Uni Milk Tea were placed on CCTV and satellite and provincial TV stations in major markets. Coupled with the tens of thousands of local promotional activities, such advertising campaign has quickly enhanced the brand recognition and influence of Uni Milk Tea.

The milk tea market has grown rapidly in 2011. According to the statistics of ACNielsen, sales of milk tea grew by 140.0%, and the market presence of milk tea has been consolidating as its share in all ready-to-drink tea has jumped from 4.2% in 2010 to 9.5% in 2011. The milk tea market exhibited several unique characters. Firstly, there is a high rate of monopoly among brands, with sales of the two largest brands occupying 91.0% of the total market share. Assam Milk Tea, which was introduced by the Group in September 2009, recorded an outstanding performance with a surge in market share from 27.2% in 2010 to 52.7%, and has become the key engine of the growth of the milk tea market. Secondly, there is also a high conglomeration of markets with five provinces, namely Guangdong, Shanghai, Jiangsu, Sichuan and Hunan, taking 63.0% share in the milk tea market and witnessing a rapid growth of 110.0%. The Group will formulate the development focuses of its milk tea business based on the development trend of the operating environment.

In 2012, three major targets of the Group's milk tea business will be as follows:

1) Products: the milk tea business will continue to capitalise on the outstanding taste of Assam Milk Tea to explore the family drinks and festival package markets with its 1.5L Assam Milk Tea; and develop new products with high gross profit, such as Earl Grey Milk Tea（伯爵奶茶）, as the other limb of the milk tea business so as to enhance its image as a professional milk tea brand.

2) Marketing: the milk tea business will expand into second- and third-tier cities and rural areas in markets with a well-established advantage and leading position, such as Guangdong and Hunan; continue to strengthen its market coverage and improve display in regions with severe competition, such as Shanghai and Zhejiang; and establish footholds in key cities in disadvantaged markets such as northwestern, northern and northeastern China.

3) Branding: constantly capturing new consumers will continue to be the paramount mission for the marketing team of the milk tea business; a unified promotion strategy for Uni Milk Tea featuring a continual surge in investment in advertising through television, network, outdoor media, brand website and face-to-face promotional activities, will be set with the aim of raising the brand awareness and influence of Uni Milk Tea more quickly.

Coffee

According to ACNielsen, the Group's coffee business has grown significantly by 59.0% in 2011 as compared with the corresponding period in 2010 while its market share increased slightly to 19.5%. According to the statistics of ACNielsen (for Beijing, Shanghai, Guangzhou and Shenzhen only), the overall ready-to-drink coffee market maintained a rapid growth of 36.5% in terms of sales for 2011. Currently, this market has a number of unique characteristics. Firstly, PET bottles remains as the key packaging material with a surge in sales of 48.2% and a market share of 73.9% of all packaging materials in 2011. Secondly, milky flavors are more popular with a market share of 59.1% and a growth of 32.3%. Thirdly, Shanghai is the largest market with a share of 66.2%. Fourthly, there is a monopolistic trend in terms of brands with the top three brands taking a total share of 81.6%. The Group will develop and coordinate its products in view of the above characteristics.

Since its launch, revenue from 450ml A-Ha Coffee（雅哈冰咖啡）has been on the rise and achieved a year-on-year growth of 46.0% in 2011. Meanwhile, Aromatic Latte（醇香拿鐵）, an espresso type of coffee with a smaller size of 280ml launched at the end of 2010, has drawn an overwhelming market response for its supreme quality. Such two products are packaged with PET, a packaging material favoured by consumers, and have become the major drivers of the performance of A-Ha Coffee.

The launch of 280ml Aromatic Latte focused on the outstanding quality of the product. Ever since the stage of research and development, the targets have been to achieve a perfect match between its rich flavor and the flawless balance of coffee and milk. After the launch of the product, a large-scale tasting campaign was mounted in order to attract target consumers and raising the product's popularity. The introduction of hot drinks vending machines also helped seize the time of promotion in the cold season and created satisfactory performance. In 2012, the Group's coffee business will focus on establishing Aromatic Latte as the key product of the A-Ha Coffee by capitalizing on its popularity and the fashionable, young, fine-textured and endlessly innovative brand image.

The new brand philosophy of A-Ha Coffee in 2011 is "A-Ha and Relax（雅哈一下 輕鬆一下）". It aims at the affections of the target consumer group and differentiates itself from other competing coffee brands. It has developed into sophisticated brand advertisements and posters for promotional activities that interact with target consumers and nurture the consumers' brand preference. Advertisements were placed in the media in major markets such as Shanghai, Guangzhou and Shenzhen in 2011, and have significantly enhanced the brand's recognition and acceptance.

In 2012, the Group plans to achieve breakthrough in keys coffee markets, namely Shanghai and Guangdong, by precisely pooling its resources on selected media such as the Internet and IPTV platforms so as to enhance the recognition of and preference for its brands. The sophisticated promotional and tasting activities will also be fully utilized in order to deeply cultivate our brand philosophy and establish footholds amongst consumers in targeted regions.

Bottled Water

The Group adjusted the product portfolio of its bottled water business in 2011 to focus on the mid- to high-end natural and spring water so as to withdraw its low-priced mineral water. The Group is of the view that consumers will concern themselves with the quality of water as the Chinese economy is prospering and the consumption power and mind-set of consumers are constantly changing. The concept of natural and quality water supply will become more popular and the market demand for mid-to-high-priced bottled water will be on the rise.

Leveraging on the natural and quality water sources as well as the excellent brand image, Uni Spring Water（統一礦泉水）was introduced successively in southern, central and eastern China in 2010. With its dedications in 2011, the Group managed to achieve satisfactory results, and it aims to become one of the leading brands of high-end mineral water in China with its well-established brand and sales channels.

In 2012, the Group will focus on promoting its spring water, carrying on its search for quality water sources and setting up in-house production bases. It will gradually increase the proportion of products with high gross margin in its portfolio and establish sales channels for mid- and high-end products with the aim to providing natural and healthier products to the consumers.

Research and Development

The research and development team of the Group is dedicated to develop delicious and healthy products, establish industry leading technology and satisfy customers' growing needs. With an aim to ensure the sustainable development of the Group, the team is committed to develop products with high value for money; emphasises on fostering professionals; develops and builds up exclusive research and development technologies through its thorough understanding of the characteristics of raw materials; conducts trend studies on food and drinks with relevant institutions of tertiary education and world renowned suppliers; and develops and reserves products for the future.

In response to market changes and consumer needs, in addition to offering new products which are delicious and trust-worthy, the Group also put efforts on quality control of hot selling products through raw material source monitoring, on-going quality control and management, regular market and internal sample assessment mechanism. Moreover, the Group maintains regular communications with consumers, reviews the quality of existing products and grasps changing consumers needs. The Group also keeps optimising its products but not at cost of product stability.

Food Safety

In adherence to the motto of "three goods and one fairness: good quality, good credit, good service and fair price（三好一公道：品質好、信用好、服務好、價格公道）", the Group offers safe, healthy and delicious food products to consumers. To enhance the level of food safety management system of the Group, a food safety and health committee and a food safety center were established. The committee and the center focused their efforts on the deployment and establishment of a food safety protection system, the formulation of food safety policies, the promotion of food safety risk assessment, precaution and control so as to ensure food safety. They were responsible for the management of quality assurance as well as the formulation and implementation of quality assurance policies, ensuring product quality.

During 2011, the Group further perfected the control mechanism of supply chain of raw materials with special focus on the food safety management of supply chain source and the food safety control of food products. The Group implemented the food safety qualification audit on suppliers, food safety site appraisal of suppliers and established an inspection system on raw materials and materials food safety projects to ensure the implementation of food quality safety control at the source of supply chain. To ensure food safety, all food products must pass inspections strictly according to regulations before putting on the market and, further, were subject to three strict annual controls on every food safety check. During the controls, the Group closely monitored various food safety incidents and conducted timely risk assessments, as well as carried out inspections on similar raw materials and finished products to ensure food safety. The Group actively participated in formulating related national standards; collecting and issuing food regulations and domestic and overseas information on food safety to boost awareness of food safety, coordinating and facilitating the thorough implementation of food regulations and safety standards with an aim to safeguard the interests of consumers.

Since 2005, the Group's food safety testing center has passed the annual expert evaluation organised by China National Accreditation Service for Conformity Assessment (CNAS Accreditation). Possessing equipments including GC (gas chromatography), GC/MSMS (gas chromatography/multi stage mass spectrometry), HPLC (high performance liquid chromatography), AFS (atomic fluorescence spectrometry), ICP (inductively coupled plasma atomic emission spectroscopy), ICS (ion chromatography system) and UPLC-MSMS (ultra performance liquid chromatography - multi stage mass spectrometry), the Group has commenced 179 assessments of which 124 have been recognized by the national laboratories. The assessed items included, in respect of food safety assessments, pesticide residues, veterinary drug residues, preservatives, artificial pigments, bromate and fluoride and, in respect of regular assessments, trace nutrient elements, amino acids, lipid stability and food composition analysis. To strengthen the monitoring ability of the Group's food safety, advanced assessment equipments such as LC/MSMS（超高效液相色譜－多級質譜聯用儀）and ICP-MS（電感耦合等離子體發射光譜－質譜聯用儀）were equipped to conduct its own assessments on food safety items of 450 residual pesticides, 14 veterinary drug residues, 17 plasticizers, 70 edible synthetic pigments, 60 antibiotics and 22 metal/heavy metal elements and 17 rare earth elements. Combining with the laboratories of the subsidiaries and external assessment units, the Group can meet the assessment requirements on the food safety items concerned, providing the Group companies with professional and recognised assessment services to ensure safety of the Group's food products.

By the end of 2011, 15 subsidiaries of the Group obtained the certification of ISO9001:2000 international standard management system and 12 drinks plants of its subsidiaries obtained the certification of Hazard Analysis Critical Control Point ("HACCP") system and of ISO22000:2005 food safety management system. Those certifications and awards require enterprises to keep improving their food safety and quality control systems and enhancing their capabilities in ensuring food safety. The certifications also showed that the Group offers not only delicious products, but also healthy and safe food products to consumers.

INTERNAL CONTROL

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

As at 31 December 2011, the members of the audit unit of the Company continued to perform their audit duties based on the internal control mechanism for comprehensive risk management according to the annual audit plan approved by the Board. Such audit work comprised financial, operation, statutory compliance and risk management, the audit on all group levels and functions of the Company and all of its subsidiaries and the examination of the effectiveness for the human cost of the Company. Besides the audit and planning works based on various degrees of risk exposures, the audit unit also carried out computer-aided internal audits to ensure the quality of the audit and the completion of the audit as scheduled.

FINANCIAL POSITION

As at 31 December 2011, the Group had a total cash and cash equivalents of approximately RMB2,369.1 million (2010: approximately RMB2,427.4 million). Current assets amounted to approximately RMB4,617.0 million (2010: approximately RMB4,401.7 million), current liabilities were approximately RMB5,086.6 million (2010: approximately RMB2,903.9 million) and financial guarantee contracts were approximately RMB110.1 million (2010: approximately RMB199.0 million). Net current liabilities of the Group were approximately RMB469.6 million (2010: net current assets of approximately RMB1,497.8 million), mainly brought by the increase in capital expenditures for the construction of new production plants and enhancement of existing production lines. As at 31 December 2011, the Group had current and non-current bank borrowings of approximately RMB3,096.1 million (2010: approximately RMB165.6 million). The gearing ratios of the Group as at 31 December 2011 and 2010 were as follows:

	2011 **RMB'000**	2010 RMB'000
Total borrowings	**3,096,132**	165,639
Less: cash and cash equivalents	**(2,369,050)**	(2,427,362)
Net debts/(cash)	**727,082**	(2,261,723)
Total equity	**6,810,895**	6,659,537
Total capital	**7,537,977**	4,397,814
Gearing ratio	**9.65%**	-51.43%

TREASURY POLICY

As uncertainties continue to overshadow the economy, the Group consistently manages its finance in a prudence and cautious manner. In the face of the rapidly changing competition environment, the Group has to actively expand its market and accelerate its business growth while carrying on its core operations. Through gradually enlarging its capital expenditure, the Group has grown steadily with optimized and expanded infrastructure and production facilities. During the year under review, as the products portfolio was optimized with successful results, the total revenue for the year has grown satisfactorily. Despite the fact that our performance for the year under review was hindered by the lowered gross profit margin due to the rising raw materials prices in domestic and international markets in 2010, the Group's overall financial position remains sound with a reasonable gearing ratio and net cash position. The Group's funds for business operation, market development and construction of production lines primarily come from the internal cash flow generated by its businesses and banks borrowings. The borrowings were utilized by its subsidiaries and were interest-bearing. In light of the potential currency risks, most of the Group's bank deposits were denominated in Renminbi.

HUMAN RESOURCES AND BENEFITS

As at 31 December 2011, the Group had 27,874 employees. Adhering to the principle of recruiting on the basis of intellectual ability, the Group develops a comprehensive system of human resources focusing on hiring, training and retaining talents by internal promotion and external recruitment as well as enhanced training of staff, with a view to gather a pool of people of high calibre for the Group's mid- to long-term growth.

In 2012, the Group will further enhance its human resources function and continue to maintain a pool of key talents. Together with a flexible motivation system which aims at retaining only the best brains, the Group will ensure the provision of training to core staff and the supply of talents for major positions. Given the surge in labor costs, the future core strategy of the Group regarding human resources is to improve the average productivity of our staff and bring their advantages into full play in order to cope with the requirements of the Group's rapid growth.

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 2011.

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 40 to the financial statements.

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

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 42 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB2.6 cents per share for the financial year ended 31 December 2011. 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 7 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 21 to the financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in Note 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's distributable reserves calculated under Companies Law of the Cayman Islands comprise the share premium, contributed surplus, fair value reserves and retained earnings totalling approximately RMB4,523,789,000.

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.

BORROWINGS

Particulars of the borrowings 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 RMB444,650 (2010: RMB3,694,900).

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Lo Chih-Hsien *(Chairman)*
Hou Jung-Lung *(President)* (appointed on 8 September 2011)
Lin Wu-Chung *(President)* (resigned on 7 September 2011 upon retirement)

Non-executive Directors

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

Independent Non-executive Directors

Chen Sun-Te
Fan Ren-Da, Anthony
Yang Ing-Wuu
Lo Peter

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

In accordance with Article 114 of the Articles of Association, Mr. Hou Jung-Lung will retire at this forthcoming annual general meeting and, being, eligible, offer himself for re-election.

The biographies of the directors are set out on pages 27 to 29 of the annual report.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares of associated corporation

	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 2011
Uni-President Enterprises Corporation					
Kao Chin-Yen	102,874	104,696	–	207,570	0.00%
Lin Chang-Sheng	40,120,625	2,678,258	–	42,798,883	0.94%
Lin Lung-Yi	1,490,696	1,188,256	–	2,678,952	0.06%
Lo Chih-Hsien	3,246,388	74,525,941	–	77,772,329	1.71%

Save as disclosed above, as at 31 December 2011, none of the directors nor the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

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

Except for the service contracts with the Company, during the year ended 31 December 2011, no other contracts of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2011, 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:

Long positions in the shares 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%

Note:

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

Save as disclosed above, as at 31 December 2011, no other person had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

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

FRAMEWORK SALES AGREEMENT

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

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

FRAMEWORK PURCHASE AGREEMENT

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

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

DISTRIBUTION AGREEMENT

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

The Company had obtained a waiver from the Stock Exchange from the announcement and independent shareholders' approval requirements in respect of the transactions under the 2007 Framework Sales Agreement and the 2007 Framework Purchase Agreement. Such waivers expired on 31 December 2009. The continuing connected transactions under the Distribution Agreement are subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the requirements of independent shareholders' approval under Chapter 14A of the Listing Rules. The maximum aggregate annual value ("cap") permitted by the Stock Exchange or proposed by the Company (as the case may be) and the aggregate annual value actually occurred for each of the above mentioned continuing connected transactions for the year ended 31 December 2011 are set out below:

Transaction	**Actual amount** (RMB million)	**Annual cap** (RMB million)
Framework Sales Agreement		
Total sales value	72	95
Framework Purchase Agreement		
Total purchase value	815	821

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

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

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

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

NON-COMPETITION CONFIRMATION

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

MAJOR SUPPLIERS AND CUSTOMERS

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

SHARE OPTION SCHEME

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

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

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

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

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PUBLIC FLOAT

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

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

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

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2011.

AUDITOR

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

On behalf of the Board
Lo Chih-Hsien
Chairman

Tainan, Taiwan
27 March 2012

Executive Directors

Mr. LO Chih-Hsien (alias LO, Alex C.) (羅智先), aged 55, is our chairman and executive Director. Mr. Lo joined our Group in September 1998 and is responsible for the overall strategic planning and management of our Group. Except for Sichuan Hongtong Commercial Trading Co., Ltd. (四川弘通商貿有限責任公司), he is currently a director of our PRC subsidiaries. He has over 24 years of experience in the food and beverage industry. Mr. Lo is a director of President Chain Store Corporation (統一超商股份有限公司), Tait Marketing & Distribution Co., Ltd. (德記洋行股份有限公司), Ton Yi Industrial Corp. (統一實業股份有限公司) and ScinoPharm Taiwan., Ltd. (台灣神隆股份有限公司), all of which are listed on the Taiwan Stock Exchange. He is also the general manager of Uni-President Enterprises Corporation (統一企業股份有限公司) and a director of 51 members of Uni-President Enterprises Corporation and its subsidiaries (excluding our Group) (the "Uni-President 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. HOU Jung-Lung (侯榮隆), aged 47, is our president and executive Director. Mr. Hou joined the Uni-President Group in February 1993 and has acted as manager of a branch of Guangzhou President Enterprises Corp. (廣州統一企業有限公司), deputy general manager and head of sales department of Zhuhai Kirin President Brewery Co., Ltd. (珠海麒麟統一啤酒有限公司), general manager of Beijing President Enterprises Drinks Co., Ltd. (北京統一飲品有限公司), and head of human resources and general manager of the market planning office of Uni-President Enterprises (China) Investments Ltd. (統一企業(中國)投資有限公司). Mr. Hou has over 19 years of experience in the food and beverage industry and has obtained a EMBA degree from Tsinghua University in Beijing, China.

Non-Executive Directors

Mr. KAO Chin-Yen (高清愿), aged 84, is our non-executive Director. Mr. Kao joined our Group in August 2007. He joined the Uni-President Group in July 1967. With over 44 years of experience in the food and beverage industry, Mr. Kao is currently the chairman of Uni-President Enterprises Corporation, President Chain Store Corporation, Ton Yi Industrial Corp. and TTET Union Corporation (大統益股份有限公司), all of which are listed on the Taiwan Stock Exchange. He is also a director of the remaining 13 members of the Uni-President Group (excluding our Group). He obtained a doctorate in management with honours from National Cheng Kung University in 2001. Mr. Kao Chin-Yen is the father-in-law of Mr. Lo Chih-Hsien.

Mr. LIN Chang-Sheng (林蒼生), aged 69, is our non-executive Director. Mr. Lin joined the Uni-President Group in January 1968 and is currently the CEO of Uni-President Group and a director of 62 members of the Uni-President Group (excluding our Group). He has over 39 years of experience in the food and beverage industry. Mr. Lin is currently a director of Tong Ren Corp. Limited and each of our PRC subsidiaries. He is also a director of President Chain Store Corporation, Ton Yi Industrial Corp., TTET Union Corporation, and Uni-President Enterprise Corporation, all of which are listed on the Taiwan Stock Exchange. Mr. Lin graduated from National Cheng Kung University with a bachelor's degree in electronic engineering.

Mr. LIN Lung-Yi (林隆義), aged 68, is our non-executive Director. Mr. Lin joined our Group in December 1991. He is currently a director of Uni-President Enterprises (China) Investments Ltd., a subsidiary of the Company. He joined the Uni-President Group in March 1971 and has over 40 years of experience in financial and accounting management. Mr. Lin is currently the Vice CEO of Uni-President Group and a director of 29 members of the Uni-President Group (excluding our Group). He is also a director of President Chain Store Corporation and Ton Yi Industrial Corp., all of which are listed on the Taiwan Stock Exchange. Mr. Lin graduated from National Cheng Kung University with a bachelor's degree in accounting and statistics.

Director's Profile

Mr. SU Tsung-Ming（蘇崇銘）, aged 54, is our non-executive Director. Mr. Su joined our Group in August 2007. He joined the Uni-President Group in August 2000, and is currently the vice-president of Uni-President and a director of 22 members of the Uni-President Group (excluding our Group). Mr. Su is currently a director of President Chain Store Corporation, which is listed on the Taiwan Stock Exchange. He has over 26 years of experience in banking and financial management. Before joining the Uni-President Group, he was the vice-president of the Taipei branch of Citibank. Mr. Su was the financial specialist of Seibu Department Store in Tokyo, Japan in 1988 and the senior specialist of Nortel Networks Asia/Pacific in Tokyo in 1990. Mr. Su holds a master of business administration degree from the University of Iowa.

Independent Non-executive Directors

Mr. CHEN Sun-Te（陳聖德）, aged 57, was appointed as our independent non-executive Director in August 2007. He has over 27 years of experience in the banking and financial industry. He is currently the president of North Asia and Greater China of Fullerton Financial Holdings Pte. Ltd. and an independent director of China Shenhua Group Co., Ltd. Prior to that, Mr. Chen served as the president of Chinatrust Financial Holdings Co., Ltd. in 2005, the chairman of Chinatrust Securities Co., Ltd. between 2003 and 2005, the country officer and country head of the corporate bank in Taiwan of Citibank between 2001 and 2003, and the regional head of financial market in Asia Pacific of Citibank between 1998 and 2001. He gained extensive financial management experience from various positions held with Citibank and Citigroup and has acquired general knowledge about the food and beverage industry through dealing with clients from that industry. Mr. Chen holds a master's degree in business administration from University of Missouri and a bachelor's degree in political science from National Chengchi University.

Mr. FAN Ren Da, Anthony（范仁達）, aged 51, joined in 2007 as an independent non-executive director of the Company. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. He is also an independent non-executive director of Technovator International Limited (Stock Code: 1206), Raymond Industrial Limited (Stock Code: 229), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Renhe Commercial Holdings Company Limited (Stock Code: 1387), Tenfu Cayman Holdings Ltd. (Stock Code: 6868), Citic Resources Limited (Stock Code: 1205), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange. Mr Fan is also the independent non-executive director of World Union Property consultant listed on the Shenzhen Stock Exchange. In June 2011, he resigned as an independent non-executive director of Chinney Alliance Group Limited (Stock Code: 385) listed on the Main Board of the Stock Exchange.

Mr. YANG Ing-Wuu（楊英武）, aged 67, was appointed as our independent non-executive Director in November 2007. He holds a bachelor's and a master's degree in Law from National Chengchi University. Mr. Yang is currently the secretary general of Taiwan Vegetable Oil Manufacturers Association（台灣區植物油製煉工業同業公會）and the executive counsel of Guangda Cereals Joint Stock Limited Company（光大穀物股份有限公司）. Prior to this, Mr. Yang was the executive director of Taiwan Soya Bean Importers Joint Committee（台灣區進口黃豆聯合工作委員會）, the chairman of the board of Huanguo International Trade Company（環國國際貿易公司）, the secretary general of General Chamber of Commerce of Taiwan, the secretary general of China Food Industry Competitiveness Enhancement Association（中華食品產業競爭力策進會）and a part-time lecturer at Chihlee Institute of Commerce and Shih Hsin University. Mr. Yang has over 37 years of experience in the food industry.

Mr. LO Peter（路嘉星）, aged 56, was appointed as our independent non-executive Director in November 2007. He is currently a director of China Enterprise Capital Limited and the chairman and an executive director of Bio-Dynamic Group Limited (formerly known as Wealthmark International (Holdings) Limited) and China Outfitters Holdings Limited, both companies listed on the Stock Exchange. Mr. Lo is also an independent non-executive director of Ajisen (China) Holdings Limited. From February 2005 to May 2008, he was an independent non-executive director of Lonking Holdings Limited. Both of the two aforesaid companies are listed on the 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.

Senior Management's Profile

Senior Management

Mr. HOU Jung-Lung（侯榮隆）, aged 47, is our president and executive Director. Mr. Hou joined Uni-President Enterprises Corporation and its subsidiaries ("Uni-President Group") in February 1993 and has acted as manager of a branch of Guangzhou President Enterprises Corp.（廣州統一企業有限公司）, deputy general manager and head of sales department of Zhuhai Kirin President Brewery Co., Ltd.（珠海麒麟統一啤酒有限公司）, general manager of Beijing President Enterprises Drinks Co., Ltd.（北京統一飲品有限公司）, and head of human resources and general manager of the market planning office of Uni-President Enterprises (China) Investments Ltd.（統一企業（中國）投資有限公司）. Mr. Hou has over 19 years of experience in the food and beverage industry and has obtained a EMBA degree from Tsinghua University in Beijing, China.

Mr. LIU Xin-Hua（劉新華）, aged 42, joined our Group in July 1994. He acted as the head of food department of our Group in August 2008. He has 18 years of experience in the food industry and holds a master's degree in business administration from the University of Electronic Science and Technology（電子科技大學）.

Ms. CHEN Jui-Fen（陳瑞芬）, aged 40, joined Guangzhou President Enterprises Corp.（廣州統一企業有限公司）, a subsidiary of our Group, in February 2009 and was responsible for the management of marketing functions of 廣州統一有限公司and 武漢統一食品有限公司, subsidiaries of our group, prior to October 2011. She was re-designated as the deputy general manager of the head office of our Group's tea business in October 2011. Before joining our Group, she has engaged in marketing in various group of companies such as Wyeth in the United States, Ting Hsin（頂新）and YFY（永豐餘）and has 15 years of experience in relation to the food and fast moving consumer goods industries. In 2006, she started to work in Mainland China when she joined Weichuan（味全）of Ting Hsin（頂新）and has since gained 6 years of work experience in the mainland. Ms. Chen holds a master's degree in nutrition from Taipei Medical University in Taiwan and has participated in various training programs in the field of marketing at various levels during her career.

Mr. LIU Chi-Tai（劉啟台）, aged 50, joined our Group in August 2008. He acted as the head of operation in southwestern China from August 2008 to July 2009, responsible for overseeing the instant noodles and dairy drink businesses, and as the head of food business in southern China from July 2009 to December 2010. He was re-designated as general manager of the head office of the juice business in our Shanghai headquarters in December 2010, and has been general manager of the head office of the tea business since September 2011. He has more than 23 years of experience in the food and beverage industry. He graduated from Chung Yuan Christian College of Science and Engineering.

Mr. CHEN Chia-Heng（陳嘉珩）, aged 54, joined our Group in June 2003. He was the head of our instant noodle products business from June 2003 to September 2006 and has been the head of the combined drink products business of our Group since September 2006. He joined Uni-President Enterprises group in 1982 and has over 29 years of experience in the food and beverage industry. Mr. Chen holds a master's degree in business administration from National Cheng Kung University.

Mr. ZHAO Nianen（趙念恩）, aged 35, joined our Group in April 1999. He had acted as the head of marketing, the head of operation and the head of dairy drink department of Kunshan President Enterprises Food Co., Ltd. from March 2000 to October 2006, and has been appointed as the head of bottled water department of our Group since October 2006. He has more than 13 years of experience in the food and beverage industry and holds a bachelor's degree in economics from Shanghai Maritime University.

Mr. Chen Kuo-Hui（陳國煇）, aged 43, joined our Group in May 2011 and is currently the chief financial officer of our Group, the supervisor of all our Group's subsidiaries in Mainland China and a director of Heilongjiang Wondersun Dairy Co., Ltd.（黑龍江省完達山乳業股份有限公司）. He joined Uni-President Enterprises group in 1997 and has over 15 years of experience in financial management. Mr. Chen holds a master's degree in business administration from University of Strathclyde in the United Kingdom.

Company Secretary

Ms. MA Sau Kuen Gloria, aged 53, is the company secretary of the Company.

Ms. Ma is a director and head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, the Cayman Islands and the British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

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 2011. The following summarizes the corporate governance principles and practices adopted by the Company.

BOARD OF DIRECTORS

The Board consists of two executive directors, four non-executive directors and four independent non-executive directors during the year of 2011 and up to the date of this annual report. The composition of the Board is as follows:

Executive Directors

Mr. Lo Chih-Hsien *(Chairman)*
Mr. Hou Jung-Lung *(President)* (appointed on 8 September 2011)
Mr. Lin Wu-Chung *(President)* (resigned on 7 September 2011)

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chen Sun-Te
Mr. Fan Ren-Da, Anthony
Mr. Yang Ing-Wuu
Mr. Lo Peter

The biographies of the directors are set out on pages 27 to 29 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, 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 2011, the Company held four Board meetings. The attendance record of each director at the Board meetings in 2011 is set out below:

Member of the Board	**Number of meetings attended/ number of meetings**
Executive Directors	
Lo Chih-Hsien *(Chairman)*	4/4
Hou Jung-Lung *(President)* (appointed on 8 September 2011)	1/1
Lin Wu-Chung *(President)* (resigned on 7 September 2011)	3/3
Non-executive Directors	
Kao Chin-Yen	0/4
Lin Chang-Sheng	4/4
Lin Lung-Yi	4/4
Su Tsung-Ming	4/4
Independent Non-executive Directors	
Chen Sun-Te	3/4
Fan Ren-Da, Anthony	4/4
Yang Ing-Wuu	4/4
Lo Peter	3/4

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 2011.

REMUNERATION COMMITTEE

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

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

The remuneration committee held two meetings in 2011 to conduct an annual review of the remuneration policy for all directors and senior management of the Company. The attendance record of each member at the remuneration committee meetings in 2011 is set out below:

Member of the remuneration committee	Number of meetings attended/ number of meetings
Chen Sun-Te *(Chairman)*	1/2
Yang Ing-Wuu	2/2
Lin Chang-Sheng	1/2

NOMINATION COMMITTEE

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

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

The nomination committee held one meeting in 2011 to conduct an annual review of the arrangement of the committee meetings and staff work plan for 2011. The attendance record of each member at the nomination committee meeting in 2011 is set out below:

Member of the nomination committee	Number of meetings attended/ number of meetings
Fan Ren-Da, Anthony *(Chairman)*	1/1
Lo Peter	1/1
Lo Chih-Hsien	1/1

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 (resigned on 7 September 2011) and Mr. Hou Jung-Lung (appointed on 8 September 2011) who are executive directors, Mr. Lin Chang-Sheng, who is a non-executive director, and Mr. Chen Sun-Te, Mr. Yang Ing-Wuu and Mr. Lo Peter, 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 four meetings in 2011. 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/ number of meetings
Lo Chih-Hsien *(Chairman)*	4/4
Hou Jung-Lung (appointed on 8 September 2011)	1/1
Lin Wu-Chung (resigned on 7 September 2011)	3/3
Lin Chang-Sheng	3/4
Chen Sun-Te	3/4
Yang Ing-Wuu	3/4
Lo Peter	3/4

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2011.

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 2011 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 2011 is set out below:

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

AUDITORS' REMUNERATION

PricewaterhouseCoopers is the auditor of the Company. During the year of 2011, the Group paid to the auditor RMB5.1 million in total for 2011 statutory audit services and 2011 interim review services of the Company.

The Board and the audit committee propose to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year 2012, which is subject to shareholders' approval at the forthcoming annual general meeting.

ACCOUNTABILITY

The Board acknowledges its responsibility for overseeing the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. A statement from the auditors about their reporting responsibilities is set out on page 37 of the annual report. In preparing the financial statements for the year ended 31 December 2011, the directors have selected suitable accounting policies and applied them consistently and have made prudent and reasonable judgements and estimates and have prepared the financial statements on a going concern basis.

INTERNAL CONTROL

The Board is responsible for maintaining sound internal controls to safeguard the Group's assets and shareholders' investment as well as to ensure that proper accounting records are maintained, appropriate legislation and regulations are complied with. During the year of 2011, the Board has conducted review on the effectiveness of the Group's internal control system, including, among other things, financial, operational and compliance controls and risk management functions.

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF UNI-PRESIDENT CHINA HOLDINGS LTD.
(Incorporated in the Cayman Islands 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 39 to 120, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with 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, 27 March 2012

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use right	6	**1,272,155**	255,505
Property, plant and equipment	7	**5,579,385**	3,120,990
Investment properties	8	**101,469**	–
Intangible assets	9	**8,054**	10,705
Interests in jointly controlled entities	11	**158,941**	88,337
Interests in associates	12	**1,023,272**	740,121
Available-for-sale financial assets	13	**511,207**	532,828
Deferred income tax assets	14	**156,479**	130,147
Other receivables – non-current portion	18	**309,410**	300,383
		9,120,372	5,179,016
Current assets			
Inventories	16	**1,274,163**	1,139,147
Trade receivables	17	**513,305**	400,995
Prepayments, deposits and other receivables	18	**442,894**	429,492
Pledged bank deposits	19	**17,608**	4,673
Cash and cash equivalents	20	**2,369,050**	2,427,362
		4,617,020	4,401,669
Total assets		**13,737,392**	9,580,685
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	**34,047**	34,047
Share premium account	21	**2,243,980**	2,243,980
Other reserves	22		
– Proposed dividends	34	**93,582**	155,712
– Others		**4,439,286**	4,225,798
Total equity		**6,810,895**	6,659,537

Consolidated Balance Sheet – Continued

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	14	**165,181**	17,251
Borrowings	25	**1,511,915**	–
Other payables – non-current portion	24	**162,822**	–
		1,839,918	17,251
Current liabilities			
Trade and bills payables	23	**1,195,779**	1,019,984
Other payables and accruals	24	**2,244,265**	1,655,642
Borrowings	25	**1,584,217**	165,639
Current income tax liabilities		**62,318**	62,632
		5,086,579	2,903,897
Total liabilities		**6,926,497**	2,921,148
Total equity and liabilities		**13,737,392**	9,580,685
Net current (liabilities)/assets		**(469,559)**	1,497,772
Total assets less current liabilities		**8,650,813**	6,676,788

LO Chih-Hsien
Executive Director

HOU Jung-Lung
Executive Director

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Company Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	10(a)	**4,145,741**	3,664,302
Interest in an associate		**1,436**	1,436
Available-for-sale financial assets	13	**336,239**	358,915
Property, plant and equipment		**14**	30
Other non-current receivables	18	**8,325**	–
Intangible assets		**5**	10
		4,491,760	4,024,693
Current assets			
Prepayments, deposits and other receivables	18	**3,066**	4,451
Amounts due from subsidiaries	10(b)	**218,401**	–
Loans to subsidiaries	10(c)	**1,181,679**	575,053
Cash and cash equivalents	20	**20,194**	32,404
		1,423,340	611,908
Total assets		**5,915,100**	4,636,601
EQUITY			
Share capital	21	**34,047**	34,047
Share premium account	21	**2,243,980**	2,243,980
Other reserves	22		
– Proposed dividends	34	**93,582**	155,712
– Others		**2,186,227**	2,119,888
Total equity		**4,557,836**	4,553,627
LIABILITIES			
Non-current liabilities			
Borrowings	25	**1,311,960**	–
Current liabilities			
Other payables and accruals	24	**45,304**	3,502
Borrowings	25	**–**	79,472
		45,304	82,974
Total liabilities		**1,357,264**	82,974
Total equity and liabilities		**5,915,100**	4,636,601
Net current assets		**1,378,036**	528,934
Total assets less current liabilities		**5,869,796**	4,553,627

LO Chih-Hsien
Executive Director

HOU Jung-Lung
Executive Director

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	**16,931,929**	12,590,784
Cost of sales	28	**(11,989,317)**	(8,547,727)
Gross profit		**4,942,612**	4,043,057
Other gains – net	26	**69,173**	55,848
Other income	27	**135,972**	74,962
Other expenses	28	**(45,930)**	–
Selling and marketing expenses	28	**(4,292,431)**	(3,291,481)
Administrative expenses	28	**(548,153)**	(324,149)
Operating profit		**261,243**	558,237
Finance income		**126,206**	59,807
Finance costs		**(31,144)**	(4,605)
Finance income – net	30	**95,062**	55,202
Share of results of jointly controlled entities and associates	11, 12	**40,086**	69,026
Profit before income tax		**396,391**	682,465
Income tax expense	31	**(84,451)**	(163,397)
Profit for the year and attributable to equity holders of the Company		**311,940**	519,068
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	33	**8.67 cents**	14.42 cents

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Dividends	34	**93,582**	155,712

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Profit for the year		**311,940**	519,068
Other comprehensive income:			
Transfer of fair value gains previously taken to reserve to income statement upon disposal of available-for-sale financial assets	22	**(20,322)**	(27,279)
Fair value gains on available-for-sale financial assets, net of tax		**15,452**	66,380
Other comprehensive income for the year, net of tax		**(4,870)**	39,101
Total comprehensive income for the year and attributable to equity holders of the Company		**307,070**	558,169

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company			
	Share capital	Share premium	Other reserves	Total
Balance at 1 January 2010	34,047	2,243,980	4,175,799	6,453,826
Comprehensive income				
Profit for the year	–	–	519,068	519,068
Other comprehensive income				
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	–	(27,279)	(27,279)
Fair value gains on available-for-sale financial assets, net of tax	–	–	66,380	66,380
Total other comprehensive income	–	–	39,101	39,101
Total comprehensive income for the year	–	–	558,169	558,169
Transaction with owners				
Dividends relating to 2009	–	–	(352,458)	(352,458)
Balance at 31 December 2010	34,047	2,243,980	4,381,510	6,659,537
Balance at 1 January 2011	34,047	2,243,980	4,381,510	6,659,537
Comprehensive income				
Profit for the year	**–**	**–**	**311,940**	**311,940**
Other comprehensive income				
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	**–**	**–**	**(20,322)**	**(20,322)**
Fair value gains on available-for-sale financial assets, net of tax	**–**	**–**	**15,452**	**15,452**
Total other comprehensive income	**–**	**–**	**(4,870)**	**(4,870)**
Total comprehensive income for the year	**–**	**–**	**307,070**	**307,070**
Transaction with owners				
Dividends relating to 2010	**–**	**–**	**(155,712)**	**(155,712)**
Balance at 31 December 2011	**34,047**	**2,243,980**	**4,532,868**	**6,810,895**

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**1,427,730**	714,293
Interest income received		**60,472**	65,838
Interest expenses paid		**(27,038)**	(980)
Income tax paid		**(122,758)**	(158,278)
Net cash generated from operating activities		**1,338,406**	620,873
Cash flows from investing activities			
Acquisition of subsidiaries	38	**(519,666)**	–
Investments in jointly controlled entities		**(70,874)**	(23,413)
Investments in associates		**(250,034)**	(1,081)
Additions of available-for-sales financial assets		**–**	(82,511)
Payment and prepayment for land use right		**(361,574)**	(88,587)
Purchases of property, plant and equipment		**(3,050,512)**	(1,289,451)
Purchases of intangible assets		**(1,173)**	(1,319)
Proceeds from disposal of property, plant and equipment	35	**54,805**	32,628
Dividends received from a jointly controlled entity		**5,000**	–
Proceeds from disposal of available-for-sale financial assets		**39,975**	78,140
Dividends received from an associate		**2,239**	2,239
Dividends received from available-for-sales financial assets		**7,762**	10,500
Net cash used in investing activities		**(4,144,052)**	(1,362,855)
Cash flows from financing activities			
Proceeds from bank borrowings		**4,356,859**	165,639
Repayments of bank borrowings		**(1,451,618)**	–
Dividends paid to equity holders of the Company		**(155,712)**	(352,458)
Net cash received/(used) in financing activities		**2,749,529**	(186,819)
Net decrease in cash and cash equivalents		**(56,117)**	(928,801)
Cash and cash equivalents at beginning of the year		**2,427,362**	3,359,788
Exchange losses on cash and cash equivalents		**(2,195)**	(3,625)
Cash and cash equivalents at end of the year	20	**2,369,050**	2,427,362

The notes on pages 46 to 120 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;

  - The nature and amount of any individually significant transactions; and

  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The Group has applied this new accounting policy; however it has no impact on the financial statements.

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted*

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

- HKFRS 7 (Amendment), 'Disclosures – Transfers of financial assets' will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- HKFRS 7 (Amendment), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities' requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. Group is yet to assess HKFRS 7 (Amendment)'s full impact and intends to adopt HKFRS 7 (Amendment) upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted – Continued

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2015.

- HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – Continued

Changes in accounting policies and disclosures – Continued

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted – Continued

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 (revised 2011) have been included in the new HKFRS 10. The Group is yet to assess HKAS 27 (revised 2011)'s full impact and intends to adopt HKAS 27 (revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28 (revised 2011)'s full impact and intends to adopt HKAS 28 (revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 32 (Amendment) clarifies the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The Group is yet to assess HKAS 32 (Amendment)'s full impact and intends to adopt HKAS 32 (Amendment) no later than the accounting period beginning on or after 1 January 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Subsidiaries – Continued

2.2.1 Consolidation – Continued

(a) *Business combinations – Continued*

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

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

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

(c) *Disposal of subsidiaries*

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.3 Jointly controlled entities and associates

Jointly controlled entities are entities which operate under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in jointly controlled entities and associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in jointly controlled entities and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity and associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint controlled entity and associate and its carrying value and recognises the amount adjacent to 'Share of results of jointly controlled entities and associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its jointly controlled entity and associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the jointly controlled entities and associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions of each of the Group's entities are translated into the functional currency using the applicable exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

(c) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.6 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 ("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 to the income statements during the financial period in which they are incurred.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.7 Investment properties

Investment properties are defined as properties (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 40 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, jointly controlled entities and associates and represents the excess of the consideration transferred over Uni-President China Holdings Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer Software

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 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 determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivable', 'other receivables', 'pledged bank deposits' and 'cash and cash equivalents' in the balance sheet (also refer to Notes 2.14 and 2.15).

(b) Available-for-sale financial assets

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

2.10.2 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 for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.10 Financial assets – Continued

2.10.2 Recognition and measurement – Continued

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

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

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.11 Impairment of financial assets – Continued

(b) ***Assets classified as available for sale***

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Inventories

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

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

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

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

2.18 Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.20 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.21 Employee benefits

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

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

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

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

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

2.22 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.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sales of goods***

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

(b) ***Consultation service income***

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

(c) ***Operating lease income (as a lessor)***

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

(d) ***Interest income***

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

(e) ***Dividend income***

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

2.24 Government grants

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.25 Operating leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

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

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

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

2.26 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries, jointly controlled entities and associates to secure loans and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, jointly controlled entities or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.27 Contingent liabilities and contingent assets

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

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

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

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

2.28 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Most of the group entities' functional currency is RMB since majority of the revenues of these entities are derived from operations in Mainland China. Foreign exchange risk arises from the future borrowings from overseas and recognised assets or liabilities, such as cash and cash equivalents (Note 20) and borrowings (Note 25), part of which are denominated in United States dollar ("USD") and Hong Kong dollar ("HKD"). The Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2011, 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 2011 would have been approximately RMB125,476,000 higher/lower (2010: RMB4,964,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of USD and HKD denominated borrowings and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – Continued

(a) Market risk – Continued

(i) Foreign exchange risk – Continued

Profit is more sensitive to movement in foreign exchange rate in RMB against USD in 2011 than 2010 because of the significant increase in USD-dominated borrowings.

(ii) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the balance sheet as available-for-sale financial assets (Note 13). The Group has not hedged its price risk arising from investments in equity securities financial assets.

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

As at 31 December 2011, if the market prices of the securities had increased/decreased by 10% with all other variables held constant, the carrying amounts of the Group's publicly traded available-for-sale financial assets would be approximately RMB34 million higher/lower than the current value.

(iii) Cash flow and fair value interest rate risk

Except for bank deposits (Note 20) 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 20 and Note 25 respectively.

As at 31 December 2011, 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 RMB8,646,000 lower/higher (2010: RMB17,072,000 higher/lower), mainly as a result of higher/lower interest expenses on borrowings which would offset interest income on bank deposits.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 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 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 2011, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk ,the table below shows bank deposits and cash at bank balances by counterparties:

	2011 **RMB'000**	2010 RMB'000
Counterparties		
– Big 4 PRC domestic banks*	**1,282,389**	1,012,518
– Foreign owned banks	**572,820**	656,602
– Other domestic commercial banks	**531,449**	762,915
	2,386,658	2,432,035

* Big 4 PRC domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

There were also financial guarantees provided by the Group, which were the guarantees given to the banks and financial institutions to secure borrowings and finance leases of an associate of the Group.

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	2011 **RMB'000**	2010 RMB'000
Credit risk exposure relating to off-balance sheet items		
Financial guarantees	**110,104**	199,010
At 31 December	**110,104**	199,010

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

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

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – Continued

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2011				
Borrowings	**1,584,217**	**1,336,960**	**136,305**	**38,650**
Interest payments on borrowings	**38,606**	**28,812**	**12,573**	**7,031**
Trade and bills payables	**1,195,779**	**–**	**–**	**–**
Other payables and accruals, (excluding non-financial liabilities)	**1,923,560**	**–**	**–**	**–**
Other long term liability	**–**	**162,822**	**–**	**–**
	4,742,162	**1,528,594**	**148,878**	**45,681**
Financial guarantee contracts	**110,104**	**–**	**–**	**–**
As at 31 December 2010				
Borrowings	165,639	–	–	–
Interest payments on borrowings	2,014	–	–	–
Trade and bills payables	1,019,984	–	–	–
Other payables and accruals (excluding non-financial liabilities)	1,252,578	–	–	–
	2,440,215	–	–	–
Financial guarantee contracts	199,010	–	–	–

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

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain a gearing ratio below 50%. The gearing ratios at 31 December 2011 and 2010 are as follows:

	2011 **RMB'000**	2010 RMB'000
Total borrowings (Note 25)	**3,096,132**	165,639
Less: cash and cash equivalents (Note 20)	**(2,369,050)**	(2,427,362)
Net debt/(cash)	**727,082**	(2,261,723)
Total equity	**6,810,895**	6,659,537
Total capital	**7,537,977**	4,397,814
Gearing ratio	**9.65%**	-51.43%

The increase of gearing ratio as at 31 December 2011 was the result of the increase in total borrowings to finance capital expenditures of the Group during 2011.

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2011 and 2010.

	2011 **RMB'000**	2010 RMB'000
Available-for-sale financial assets		
– Level 1	**336,239**	358,915
– Level 2	**–**	–
– Level 3	**174,968**	173,913
Total	**511,207**	532,828

The following table presents the changes in level 3 instruments for the year ended 31 December 2011 and 31 December 2010.

	2011 **RMB'000**	2010 RMB'000
Opening balance	**173,913**	112,535
Addition	**–**	51,665
Fair value gains taken to other comprehensive income	**1,055**	9,713
Closing balance	**174,968**	173,913

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation – Continued

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 investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present worth based on profit and cash flows forecast and other relevant information provided by the investee company. The discount rate used for the investment as at 31 December 2011 was 14.5% (2010: 15%) per annum which was determined by the risk-free rate, market return, estimated beta of the investee company and firm specific risk factors. The market approach adopts various sales/income multiples to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by multiplying various sales/ income of the investee company to multipliers with regard to the risks and nature of the business. In estimating the multiples, reference has been made to the operating results of companies with similar business nature, having their operating activities in the PRC and whose ownership interests are publicly traded. As at 31 December 2011, if the discount rate and the multiples used was 10% (i.e. 14.5% from 13.1% to 16.0%) higher/lower from management's estimates, the carrying amounts of the available-for-sale financial assets would be approximately RMB23,052,000 lower/RMB25,257,000 higher than the current value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

The fair value of financial instruments that are not traded in an active market, such as equity interest classified as available-for-sale financial assets (Note 13) is determined by using valuation techniques (Note 3.3). The Group uses its judgment to select a variety of methods and to make assumptions that are mainly based on market conditions existing at each balance sheet date. The effect of the changes in one or more of the inputs has been disclosed in Note 3.3 above.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

4.1 Critical accounting estimates and assumptions – Continued

(b) ***Loss resulted from a fire accident***

In November 2011, a fire accident occurred in a wholly-owned subsidiary of the Group and certain inventories and property, plant and equipment with book value totalling RMB69,637,000 were damaged. The subsidiary is in the process of application for insurance claims on the damages. With reference to the status of the insurance claim, the Group recognised an insurance claim receivable amounting to RMB16,332,000 as at 31 December 2011, and recognised a loss from the fire accident amounting to RMB12,753,000 in 'Other losses/gains' in the income statement, after taking into account the amount that can be recovered from the damaged property, plant and equipment which can be recovered through repair. The estimation of amounts of insurance claim receivable and loss from the fire accident requires significant judgement. Further details are set out in Note 26 to the consolidated financial statements.

(c) ***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.

Were the actual final outcome (on the judgement areas) of expected cash flows is favourable/unfavourable by 10% from management's estimates, the group would need to increase/(decrease) the tax assets by RMB2,200,000.

4.2 Critical judgements in applying the Group's accounting policies

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

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee company, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As at 31 December 2011, according to the management judgement, no impairment recognized for available-for-sale financial assets.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an loss of approximately RMB13,793,000 in its 2011 financial statements, being the transfer of the accumulated fair value adjustments on the impaired available-for-sale financial assets recognised in equity to the income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

4.2 Critical judgements in applying the Group's accounting policies – Continued

(b) Classification of borrowings

The Group follows the guidance of HKAS 1 to determine whether certain borrowings should be classified as current or non-current liabilities. This determination requires significant judgement. In making this judgement, the Group evaluates both its intention and discretion. When the Group expects, and has the full discretion, to roll over the borrowings for at least twelve months after the reporting period under the existing loan facility, the Group classifies the borrowings as non-current, even if they would otherwise be due within a shorter period.

If the Group is not able to roll over the borrowings for at least twelve months after 31 December 2011, the borrowings in the amount of approximately RMB1,311,960,000 would be reclassified from non-current liability to current liability in its 2011 financial statements.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

5 REVENUE AND SEGMENT INFORMATION – CONTINUED

The segment information for the year ended 31 December 2011 and 2010 is as follows:

	2011				
	Beverages RMB'000	Instant noodles RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment results					
Revenue	10,688,584	5,936,314	307,031	–	16,931,929
Segment profit/(loss)	228,765	165,089	(21,416)	(111,195)	261,243
Finance income – net					95,062
Share of results of jointly controlled entities and associates	43,429	–	–	(3,343)	40,086
Profit before income tax					396,391
Income tax expense					(84,451)
Profit for the year					311,940
Other segment items included in the income statement					
Depreciation and amortisation	341,775	155,060	6,572	26,856	530,263
Segment assets and liabilities					
Assets	6,279,697	2,518,792	171,817	3,584,873	12,555,179
Interests in jointly controlled entities	150,644	–	–	8,297	158,941
Interests in associates	817,275	–	–	205,997	1,023,272
Total assets					13,737,392
Liabilities	2,208,944	1,209,764	30,655	3,477,134	6,926,497
Total liabilities					6,926,497
Capital expenditure	2,510,908	694,713	91,764	864,669	4,162,054

5 REVENUE AND SEGMENT INFORMATION – CONTINUED

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

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

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

Capital expenditure comprised additions to land use right, property, plant and equipment, investment properties and intangible assets.

6 LAND USE RIGHT – GROUP

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

	2011 RMB'000	2010 RMB'000
At 1 January	**255,505**	184,985
Additions	**360,872**	75,224
Acquisition of subsidiaries (Note 38)	**676,616**	–
Amortisation (Note 28)	**(20,838)**	(4,704)
At 31 December	**1,272,155**	255,505
Cost	**1,342,533**	305,045
Accumulated amortisation	**(70,378)**	(49,540)
Net book amount	**1,272,155**	255,505

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

	2011 RMB'000	2010 RMB'000
In the PRC, held on:		
Original lease period of over 50 years	**11,430**	11,654
Original lease period 10 and 50 years	**1,260,725**	243,851
Closing net book amount	**1,272,155**	255,505

Amortisation of the Group's land use right has been charged to 'cost of sales' and 'other expenses' in the consolidated income statement.

As at 31 December 2011, bank borrowings are secured by land use right of the Group with carrying amount of RMB444,938,000 (2010: Nil) (Note 25).

As at 31 December 2011, land use right certificates for land use right amounting to RMB74,522,000 have not been obtained and the Group is in the progress of applying for these certificates.

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings RMB'000	Machinery and factory equipment RMB'000	Vehicles, office equipment and fixtures RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010						
Cost	1,144,237	2,518,344	820,738	6,453	109,172	4,598,944
Accumulated depreciation	(420,154)	(1,463,890)	(534,038)	(6,009)	–	(2,424,091)
Accumulated impairment provision	–	(810)	–	–	–	(810)
Net book amount	724,083	1,053,644	286,700	444	109,172	2,174,043
Year ended 31 December 2010						
Opening net book amount	724,083	1,053,644	286,700	444	109,172	2,174,043
Additions	4,501	58,376	213,203	1,636	1,057,432	1,335,148
Transfer upon completion	142,291	601,806	84,562	–	(828,659)	–
Disposals	(3,205)	(20,877)	(416)	(69)	–	(24,567)
Depreciation (Note 28)	(58,325)	(180,993)	(123,996)	(385)	–	(363,699)
Reversal of provision (Note 28)	–	65	–	–	–	65
Closing net book amount	809,345	1,512,021	460,053	1,626	337,945	3,120,990
At 31 December 2010						
Cost	1,286,916	3,081,937	1,084,888	7,904	337,945	5,799,590
Accumulated depreciation	(477,571)	(1,569,171)	(624,835)	(6,278)	–	(2,677,855)
Accumulated impairment provision	–	(745)	–	–	–	(745)
Net book amount	809,345	1,512,021	460,053	1,626	337,945	3,120,990
Year ended 31 December 2011						
Opening net book amount	**809,345**	**1,512,021**	**460,053**	**1,626**	**337,945**	**3,120,990**
Additions	**65,743**	**243,971**	**361,751**	**1,249**	**2,347,295**	**3,020,009**
Transfer upon completion	**228,379**	**786,287**	**113,220**	**–**	**(1,127,886)**	**–**
Disposals	**(3,279)**	**(33,898)**	**(8,015)**	**–**	**–**	**(45,192)**
Depreciation (Note 28)	**(64,938)**	**(241,946)**	**(196,055)**	**(747)**	**–**	**(503,686)**
Write-off (Note 26)	**–**	**(12,123)**	**(630)**	**–**	**–**	**(12,753)**
Reversal of provision (Note 28)	**–**	**17**	**–**	**–**	**–**	**17**
Closing net book amount	**1,035,250**	**2,254,329**	**730,324**	**2,128**	**1,557,354**	**5,579,385**
At 31 December 2011						
Cost	**1,574,888**	**3,977,072**	**1,498,459**	**9,153**	**1,557,354**	**8,616,926**
Accumulated depreciation	**(539,638)**	**(1,722,015)**	**(768,135)**	**(7,025)**	**–**	**(3,036,813)**
Accumulated impairment provision	**–**	**(728)**	**–**	**–**	**–**	**(728)**
Net book amount	**1,035,250**	**2,254,329**	**730,324**	**2,128**	**1,557,354**	**5,579,385**

7 PROPERTY, PLANT AND EQUIPMENT – GROUP – CONTINUED

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

	2011 RMB'000	2010 RMB'000
Cost of sales	343,991	275,505
Selling and marketing expenses	122,573	54,347
Administrative expenses	37,122	33,847
	503,686	363,699

The Group's buildings are located in the PRC.

There are no pledge of property, plant and equipment as at 31 December 2011 and 2010.

Rental income amounting to approximately RMB5.5 million (2010: RMB4.7 million) derived from lease of buildings is included in "other income" in the consolidated income statement (Note 27).

During the year, the Group has capitalised borrowing costs amounting to RMB3,199,000 (2010: nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.29%.

8 INVESTMENT PROPERTIES – GROUP

	2011 RMB'000	2010 RMB'000
At 1 January	–	–
Acquisition of subsidiaries (Note 38)	103,384	–
Depreciation (Note 28)	(1,915)	–
At 31 December	101,469	–
Cost as at 31 December	103,384	–
Accumulated depreciation	(1,915)	–
Net book amount as at 31 December	101,469	–

The Group's investment properties were acquired from a third party through a business combination (Note 38) in May 2011.

The investment properties are located in Shanghai and erected on land with lease period of 40 years.

Depreciation of the Group's investment properties has been charged to 'other expenses' in the consolidated income statements.

8 INVESTMENT PROPERTIES – GROUP – CONTINUED

The carrying amounts and fair value of the investment properties are set out as follows:

	2011 **RMB'000**	2010 RMB'000
Carrying amount	**101,469**	–
Fair value	**102,296**	–

The fair values of investment properties is estimated based on replacement cost method approach using the current market price and the newness rate at the respective balance sheet dates.

As at 31 December 2011, bank borrowings and secured by investment properties with carrying amount of RMB59,867,000 (Note 25).

Rental income amounting to approximately RMB19.9 million (2010: Nil) derived from investment properties is included in "other income" in the consolidated income statement (Note 27).

9 INTANGIBLE ASSETS – GROUP

	Goodwill RMB'000	Computer Software RMB'000	Total RMB'000
At 1 January 2010			
Cost	11,941	19,970	31,911
Accumulated amortisation	–	(7,092)	(7,092)
Accumulated impairment	(11,941)	–	(11,941)
Net book amount	–	12,878	12,878
Year ended 31 December 2010			
Opening net book amount	–	12,878	12,878
Additions	–	1,319	1,319
Amortisation (Note 28)	–	(3,492)	(3,492)
Closing net book amount	–	10,705	10,705
At 31 December 2010			
Cost	11,941	21,288	33,229
Accumulated amortisation	–	(10,583)	(10,583)
Accumulated impairment	(11,941)	–	(11,941)
Net book amount	–	10,705	10,705
Year ended 31 December 2011			
Opening net book amount	**–**	**10,705**	**10,705**
Additions	**–**	**1,173**	**1,173**
Amortisation (Note 28)	**–**	**(3,824)**	**(3,824)**
Closing net book amount	**–**	**8,054**	**8,054**
At 31 December 2011			
Cost	**11,941**	**22,461**	**34,402**
Accumulated amortisation	**–**	**(14,407)**	**(14,407)**
Accumulated impairment	**(11,941)**	**–**	**(11,941)**
Net book amount	**–**	**8,054**	**8,054**

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

The amortisation of computer software has been charged to 'administrative expenses' and 'selling and marketing expenses' at the amount of approximately RMB3,045,000 and RMB779,000 (2010: RMB2,890,000 and RMB602,000), respectively.

10 INTERESTS IN SUBSIDIARIES – COMPANY

(a) Investment in a subsidiary

	2011 RMB'000	2010 RMB'000
Investment, at cost:		
– Unlisted shares	**4,145,741**	3,664,302

The list of the principal subsidiaries of the Company as at 31 December 2011 is set out in Note 40.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and without fixed terms of repayment. They represent dividend receivable from a subsidiary and amounts paid on behalf of subsidiaries for the purchase of property, plant and equipment. The Company has the intention to receive such amounts and the subsidiaries should pay on demand.

(c) Loans to subsidiaries

The loans to subsidiaries are unsecured, denominated in USD and repayable within twelve months with the interest rate equals to the London Inter-bank Offered Rate (the "LIBOR") plus certain credit rating ranged from 1.0% to 1.7%. The carrying amounts of loans to subsidiaries approximate their fair values as at the balance sheet dates.

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP

	2011 RMB'000	2010 RMB'000
At 1 January	**88,337**	446,640
Additions	**70,874**	23,413
Transfer to an associate (Note 12(b))	**–**	(387,110)
Share of profits	**4,730**	5,394
Dividend received	**(5,000)**	–
At 31 December	**158,941**	88,337

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP – CONTINUED

The particulars of the jointly controlled entities of the Group as at 31 December 2011, 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 2011	2010	Principal activities
蘇州工業園區華穗創業投資管理有限公司 (United Advisor Venture Management Co., Ltd.*) ("United Advisor Venture Management")	Suzhou, PRC, 18 July 2008	RMB1,000,000	**50%**	50%	Investment management and advisory services
煙台統利飲料工業有限公司 (Yantai Tongli Beverage Industries Co., Ltd.*) ("Yantai Tongli")	Yantai, PRC, 9 June 2009	RMB100,000,000	**50%**	50%	OEM processing and sales of various types of beverages, fruit juice, tea, etc.
桂林紫泉飲料工業有限公司 (Guilin Ziquan Beverage Industries Co., Ltd.*) ("Guilin Ziquan")	Guilin, PRC, 24 July 2009	USD16,200,000	**45%**	45%	Production of various types of beverage including fruit, vegetable, tea and coffee etc.
Greater China F&B Capital Partners Ltd. ("Greater China F&B")	Cayman Islands, 16 April 2008	USD10,000	**50%**	50%	Investment management
武漢紫江統一企業有限公司 (Wuhan Zijiang President Enterprises Co., Ltd.*) ("Wuhan Zijiang")	Wuhan, PRC, 29 July 2011	RMB99,000,000	**50%**	–	Production of various types of plastic products

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

The additions to the interests in jointly controlled entities during the year ended 31 December 2011 included RMB49,500,000 for the set up of Wuhan Zijiang, a jointly controlled entity established by the Group and Shanghai Zijiang Enterprise Group Co. Ltd., and RMB21,374,000 of further capital injection to Guilin Ziquan.

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP – CONTINUED

A summary of the financial information of the Group's share of jointly controlled entities in aggregate is as follows:

	2011 RMB'000	2010 RMB'000
Assets		
Non-current assets	106,590	92,176
Current assets	82,389	34,126
	188,979	126,302
Liabilities		
Non-current liabilities	13,500	13,500
Current liabilities	16,538	24,465
	30,038	37,965
Net assets	158,941	88,337
Revenue	100,676	59,583
Expenses	(93,442)	(51,789)
Profit before income tax	7,234	7,794
Income tax expense	(2,504)	(2,400)
Profit for the year	4,730	5,394

As at 31 December, there were no commitment and contingent liabilities in these jointly controlled entities.

12 INTERESTS IN ASSOCIATES – GROUP

The movements in interests in associates are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	740,121	290,537
New investments in associates (Note (a))	250,034	1,081
Transfer from a jointly controlled entity (Note (b))	–	387,110
Share of profits	35,356	63,632
Dividends received	(2,239)	(2,239)
At 31 December	1,023,272	740,121

12 INTERESTS IN ASSOCIATES – GROUP – CONTINUED

The particulars of the associates of the Group as at 31 December 2011 are set out as follows. Other than Yantai North Andre Juice Co., Ltd. ("Andre Juice"), the other associates are unlisted:

Company name	Country/place and date of incorporation	Paid-up Capital/ Share Capital	Equity interest attributable to the Group 2011	2010	Principal activities
華穗食品創業投資企業 (China F&B Venture Investments) ("China F&B")	Suzhou, PRC, 13 April 2009	RMB428,022,667	**39.74%**	39.74%	Investment management
煙台北方安德利果汁股份有限公司 (Andre Juice)	Yantai, PRC, 26 June 2001	RMB426,554,000	**15%**	15%	The production and Sales of concentrated apple juice, pear juice, apple essence, forage etc. products.
今麥郎飲品股份有限公司 (Jinmailang Beverage Corporate Limited) ("Jinmailang Corporate")	Beijing, PRC, 28 October 2005	RMB948,725,256	**50%**	50%	Manufacturing and sale of beverages
上海民富股權投資管理有限公司 (SMS Private Equity Fund Management Co., Ltd.*) ("SMS")	Shanghai, PRC, 13 December 2010	USD880,000	**40%**	40%	Investment management and related advisory service

Notes:

(a) The additions to the interests in associates during the year ended 31 December 2011 mainly included RMB147,000,000 further capital injection to China F&B and RMB100,000,000 further capital injection to Jinmailang Corporate.

(b) Jinmailang Corporate (formerly known as Jinmailang Beverage (Beijing) Co., Ltd), used to be a jointly controlled entity of the Group. According to the revised articles of association effective in June 2010, the other shareholder got the control over the board of directors (the governance body of Jinmailang Corporate). Thereafter, Jinmailang Corporate became an associated company of the Group.

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

12 INTERESTS IN ASSOCIATES – GROUP – CONTINUED

A summary of the financial information of the Group's shares of associates are as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Total assets	**1,992,645**	1,602,797
Total liabilities	**969,373**	862,676
Net assets	**1,023,272**	740,121
Revenue	**1,336,832**	1,062,904
Profit for the year	**35,356**	63,632

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

	Group		**Company**	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
At 1 January	**532,828**	447,608	**358,915**	335,073
Additions	**–**	82,511	**–**	30,846
Disposals	**(16,904)**	(37,979)	**(16,904)**	(37,979)
Net fair value gains previously taken into other comprehensive income (Note 22)	**(20,322)**	(27,279)	**(20,322)**	(27,279)
Net fair value changes taken to other comprehensive income (Note 22)	**15,605**	67,967	**14,550**	58,254
At 31 December	**511,207**	532,828	**336,239**	358,915

During the year ended 31 December 2011, the Group disposed of certain available-for-sale financial assets and realised a gain of RMB23,071,000 (2010: RMB40,161,000) (Note 26), after incorporating a fair value gain of RMB20,322,000 (2010: a fair value gain of RMB27,279,000) (Note 22) transferred from reserve recognised previously.

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities				
Want Want	**313,562**	326,428	**313,562**	326,428
Others	**22,677**	32,487	**22,677**	32,487
	336,239	358,915	**336,239**	358,915
Unlisted securities				
Wondersun Dairy	**174,235**	173,180	**–**	–
Others	**733**	733	**–**	–
	174,968	173,913	**–**	–
	511,207	532,828	**336,239**	358,915

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

In addition, the Group holds 9% (2010: 9%) equity interests in 黑龍江省完達山乳業股份有限公司 (Heilongjiang Wondersun Dairy Joint Stock Co., Ltd.*) ("Wondersun Dairy"), an unlisted PRC domestic enterprise engaged in the manufacturing and sale of dairy products. The fair value of the unlisted equity interests in Wondersun Dairy is determined with reference to a valuation based on a combination of income approach and market approach (Note 3.3).

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

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

14 DEFERRED INCOME TAX – GROUP

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

	2011 RMB'000	2010 RMB'000
Deferred income tax assets		
– Deferred income tax assets to be recovered within 12 months	150,660	124,481
– Deferred income tax assets to be recovered after more than 12 months	5,819	5,666
	156,479	130,147
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered within 12 months	21,435	17,251
– Deferred income tax liabilities to be recovered after more than 12 months	143,746	–
	165,181	17,251
Deferred income tax (liabilities)/assets, net	(8,702)	112,896

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

	2011 RMB'000	2010 RMB'000
At 1 January	112,896	87,402
Credited to the consolidated income statement (Note 31)	29,193	27,081
Charged other comprehensive income (Note 22)	(153)	(1,587)
Additions resulting from acquisition through business combination (Note 38)	(150,638)	–
At 31 December	(8,702)	112,896

14 DEFERRED INCOME TAX – GROUP – CONTINUED

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

Deferred income tax assets

	Impairment provision of assets RMB'000	Depreciation of equipment RMB'000	Accrued expenses RMB'000	Downward adjustment in fair value of available-for-sale financial assets RMB'000	Tax loss benefit RMB'000	Total RMB'000
At 1 January 2010	30,052	5,995	59,390	4,912	4,172	104,521
(Charged)/credited to the consolidated income statements	(5,575)	(329)	37,289	–	(4,172)	27,213
Charged to other comprehensive income	–	–	–	(1,587)	–	(1,587)
At 31 December 2010	**24,477**	**5,666**	**96,679**	**3,325**	**–**	**130,147**
(Charged)/credited the consolidated income statements	**(15,503)**	**153**	**19,840**	**–**	**21,995**	**26,485**
Charged to other comprehensive income	**–**	**–**	**–**	**(153)**	**–**	**(153)**
At 31 December 2011	**8,974**	**5,819**	**116,519**	**3,172**	**21,995**	**156,479**

Deferred income tax liabilities

	Withholding tax RMB'000	Fair value gains RMB'000	Total RMB'000
At 1 January 2010	17,119	–	17,119
Classified to current income tax payable	(11,500)	–	(11,500)
Charged to the consolidated income statements	11,632	–	11,632
At 31 December 2010	17,251	–	17,251
Additions resulting from acquisition through business combination (Note 38)	–	150,638	150,638
Credited to the consolidated income statements	–	(2,708)	(2,708)
At 31 December 2011	17,251	147,930	165,181

14 DEFERRED INCOME TAX – GROUP – CONTINUED

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB51,973,000 (2010: RMB59,815,000) in respect of tax losses amounting to approximately RMB207,988,000 (2010: RMB239,260,000) as at 31 December 2011 that can be carried forward against future taxable income. Tax losses amounting to approximately RMB49,988,000, RMB67,003,000, RMB39,828,000, RMB21,392,000 and RMB29,777,000 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 5% upon the distribution of such profits to foreign investors. Deferred income tax liabilities of RMB17,251,000 (2010: RMB17,251,000) have been recognised for the withholding tax at the tax rate 5% that would be payable on the earnings of PRC subsidiaries that are expected to be distributed in the foreseeable future.

Deferred income tax liabilities of RMB70,726,000 (2010: RMB57,250,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in PRC. Such amounts have been/will be permanently reinvested. Unremitted earnings totalled RMB1,414,516,000 (2010: RMB1,144,996,000) at 31 December 2011.

15 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

(a) Group

	Receivables	Available-for-sale financial assets	Total
Assets as per consolidated balance sheet			
As at 31 December 2011			
Available-for-sale financial assets (Note 13)	**–**	**511,207**	**511,207**
Trade receivables (Note 17)	**513,305**	**–**	**513,305**
Deposits and other receivables	**475,913**	**–**	**475,913**
Amounts due from related parties (Note 39(b))	**61,621**	**–**	**61,621**
Pledged bank deposits (Note 19)	**17,608**	**–**	**17,608**
Cash and cash equivalents (Note 20)	**2,369,050**	**–**	**2,369,050**
Total	**3,437,497**	**511,207**	**3,948,704**
As at 31 December 2010			
Available-for-sale financial assets (Note 13)	–	532,828	532,828
Trade receivables (Note 17)	400,995	–	400,995
Deposits and other receivables	439,338	–	439,338
Amounts due from related parties (Note 39(b))	64,828	–	64,828
Pledged bank deposits (Note 19)	4,673	–	4,673
Cash and cash equivalents (Note 20)	2,427,362	–	2,427,362
Total	3,337,196	532,828	3,870,024

15 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY – CONTINUED

(a) Group – Continued

	Financial liabilities measured at amortised cost
Liabilities as per consolidated balance sheet	
As at 31 December 2011	
Trade and bills payable (Note 23)	1,195,779
Other payables and accruals (excluding non-financial liabilities)	1,923,560
Borrowings (Note 25)	3,096,132
Other long-term payables (Note 24)	162,822
Total	6,378,293
As at 31 December 2010	
Trade and bills payable (Note 23)	1,019,984
Other payables and accruals (excluding non-financial liabilities)	1,252,578
Borrowings (Note 25)	165,639
Total	2,438,201

(b) Company

	Receivables	Available-for-sale financial assets	Total
Assets as per balance sheet			
As at 31 December 2011			
Available-for-sale financial assets (Note 13)	**–**	**336,239**	**336,239**
Loans to subsidiaries (Note 10(c))	**1,181,679**	**–**	**1,181,679**
Deposits and other receivables	**3,066**	**–**	**3,066**
Due from subsidiaries (Note 10(b))	**218,401**	**–**	**218,401**
Cash and cash equivalents (Note 20)	**20,194**	**–**	**20,194**
Total	**1,423,340**	**336,239**	**1,759,579**
As at 31 December 2010			
Available-for-sale financial assets (Note 13)	–	358,915	358,915
Loans to subsidiaries (Note 10(c))	575,053	–	575,053
Deposits and other receivables	4,451	–	4,451
Cash and cash equivalents (Note 20)	32,404	–	32,404
Total	611,908	358,915	970,823

15 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY – CONTINUED

(b) Company – Continued

	Financial liabilities measured at amortised cost
Liabilities as per balance sheet	
As at 31 December 2011	
Other payables (Note 24)	45,304
Borrowings (Note 25)	1,311,960
Total	1,357,264
As at 31 December 2010	
Other payables (Note 24)	3,502
Borrowings (Note 25)	79,472
Total	82,974

16 INVENTORIES – GROUP

	2011 RMB'000	2010 RMB'000
Raw materials	**374,740**	324,527
Working in progress	**68,026**	51,801
Finished goods	**608,100**	538,754
Consumables	**223,297**	224,065
	1,274,163	1,139,147

The cost of inventories recognised as expenses and included in cost of sales, other expenses and other gains - net (Note 26) amounted to approximately RMB12,021 million (2010: RMB8,548 million).

The Group reversed a loss of approximately RMB6,305,000 (2010: write down of RMB8,556,000) (Note 28) for the year ended 31 December 2011, in respect of the write-down of inventories to their net realisable values. These amounts have been included in 'cost of sales' in the income statement.

17 TRADE RECEIVABLES – GROUP

	2011 RMB'000	2010 RMB'000
Trade receivables from independent third parties	**517,606**	403,503
Less: provision for impairment	**(9,115)**	(9,049)
Trade receivables from independent third parties, net	**508,491**	394,454
Trade receivables from related parties (Note 39(b))	**4,814**	6,541
Trade receivables, net	**513,305**	400,995

The credit terms granted to customers by the Group are usually 60 to 90 days (2010: 60 to 90 days). The ageing analysis of trade receivables is as follows:

	2011 RMB'000	2010 RMB'000
Trade receivables, gross		
– Within 90 days	**474,468**	366,956
– 91 – 180 days	**44,696**	39,866
– 181 – 365 days	**3,120**	2,313
– Over 1 year	**136**	909
	522,420	410,044

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

	2011 RMB'000	2010 RMB'000
Trade receivables, gross		
– RMB	**516,113**	404,346
– USD	**4,669**	3,964
– HKD	**1,638**	1,734
	522,420	410,044

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

17 TRADE RECEIVABLES – GROUP – CONTINUED

As at 31 December 2011, trade receivables of approximately RMB81 million (2010: RMB83 million) are impaired and the amount of the provision for impairment is approximately RMB9.1 million (2010: RMB9.0 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:

	2011 RMB'000	2010 RMB'000
Trade receivables, gross		
– Within 90 days	34,642	39,517
– 91 – 180 days	43,880	39,866
– 181 – 365 days	2,754	2,313
– Over 1 year	104	909
	81,380	82,605

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

	2011 RMB'000	2010 RMB'000
At 1 January	9,049	8,152
Receivables written off as uncollectible	(613)	(780)
Provision for impairment of trade receivables (Note 28)	679	1,677
At 31 December	9,115	9,049

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

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantee deposits for purchases	**338,685**	338,685	**–**	–
Prepaid value added tax and other taxes	**181,993**	179,054	**–**	–
Amounts due from related parties (Note 39(b))	**61,621**	64,828	**–**	–
Prepayments – advance payments to suppliers	**41,223**	52,740	**–**	–
Insurance claim receivable from a fire accident (Note 26)	**16,332**	–	**–**	–
Other prepayments and receivables	**112,450**	94,568	**11,391**	4,451
	752,304	729,875	**11,391**	4,451
Less: non-current portion	**(309,410)**	(300,383)	**(8,325)**	–
Current portion	**442,894**	429,492	**3,066**	4,451

The guarantee deposits for purchases represent deposits to Wondersun Diary to secure the purchases of the milk powder produced by Wondersun Diary pursuant to an agreement entered into in November 2010. The guarantee deposits are repayable by instalments during 2012 and 2013 according to a predetermined timetable.

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

19 PLEDGED BANK DEPOSITS – GROUP

The pledged bank deposits as at 31 December 2011 and 2010 represented deposits at banks pledged as security for the issue of letter of credit facilities and bills of the Group.

20 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**2,257,087**	2,340,297	**20,194**	19,504
Short-term bank deposits	**111,963**	87,065	**–**	12,900
	2,369,050	2,427,362	**20,194**	32,404

As at 31 December 2011, the effective weighted average rate of the short-term bank deposits of the Group was 3.00% (2010: 1.46%) per annum. These deposits have an average maturity of 91 days (2010: 58 days) but could be withdrawn anytime without restriction.

As at 31 December 2011, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
– RMB	**2,293,868**	2,383,464	**–**	–
– USD	**58,840**	9,892	**8,553**	3,957
– HKD	**12,870**	29,045	**11,641**	28,447
– Others	**3,472**	4,961	**–**	–
	2,369,050	2,427,362	**20,194**	32,404

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.

21 SHARE CAPITAL AND PREMIUM ACCOUNT – GROUP AND COMPANY

(a) Share capital and share premium account

	Number of ordinary shares	Authorised Share capital HKD'000	Authorised Share capital equivalent to RMB'000
At 1 January 2010 till 31 December 2011	50,000,000,000	500,000	440,240

	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 1 January 2010 till 31 December 2011	3,599,445,000	35,994	34,047	2,243,980	2,278,027

The total authorised number of ordinary shares is HKD0.01 per share (2010: HKD0.01 per share).

(b) Share option scheme

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

Up to 31 December 2011, no share options have been granted under the Scheme.

22 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 2010	1,817,531	129,214	393,287	1,835,767	4,175,799
Profit for the year	–	–	–	519,068	519,068
Transfer of fair value gains previously taken to reserve to income statement upon disposal of available-for-sale financial assets (Note 13)	–	(27,279)	–	–	(27,279)
Fair value gains on available-for-sale financial assets					
– gross (Note 13)	–	67,967	–	–	67,967
– tax (Note 14)	–	(1,587)	–	–	(1,587)
Appropriation to statutory reserves	–	–	72,177	(72,177)	–
Dividends relating to 2009, paid	–	–	–	(352,458)	(352,458)
Balance at 31 December 2010	**1,817,531**	**168,315**	**465,464**	**1,930,200**	**4,381,510**
Profit for the year	**–**	**–**	**–**	**311,940**	**311,940**
Transfer of fair value gains previously taken to reserve to income statement upon disposal of available-for-sale financial assets (Note 13)	**–**	**(20,322)**	**–**	**–**	**(20,322)**
Fair value gains on available-for-sale financial assets					
– gross (Note 13)	**–**	**15,605**	**–**	**–**	**15,605**
– tax (Note 14)	**–**	**(153)**	**–**	**–**	**(153)**
Appropriation to statutory reserves	**–**	**–**	**47,184**	**(47,184)**	**–**
Dividends relating to 2010, paid	**–**	**–**	**–**	**(155,712)**	**(155,712)**
Balance at 31 December 2011	**1,817,531**	**163,445**	**512,648**	**2,039,244**	**4,532,868**

22 OTHER RESERVES – GROUP AND COMPANY – CONTINUED

Company

	Contributed surplus RMB'000	Fair value reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	2,054,310	148,862	29,913	2,233,085
Profit for the year	–	–	363,998	363,998
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	–	(27,279)	–	(27,279)
Fair value gains on available-for-sale financial assets (Note 13)	–	58,254	–	58,254
Dividends relating to 2009, paid	–	–	(352,458)	(352,458)
Balance at 31 December 2010	**2,054,310**	**179,837**	**41,453**	**2,275,600**
Profit for the year	**–**	**–**	**165,693**	**165,693**
Transfer of fair value gain previously taken to reserve to income statement upon disposal of available-for-sale financial assets	**–**	**(20,322)**	**–**	**(20,322)**
Fair value gains on available-for-sale financial assets (Note 13)	**–**	**14,550**	**–**	**14,550**
Dividends relating to 2010, paid	**–**	**–**	**(155,712)**	**(155,712)**
Balance at 31 December 2011	**2,054,310**	**174,065**	**51,434**	**2,279,809**

(a) Contribution surplus

Contribution surplus of the Company mainly represent the net balance of contributions from and distributions to the equity holder of the Company prior to the listing of shares of the Company pursuant to the reorganisation for the purpose of the Listing.

According to the law and regulation of Cayman Island, such contribution surplus is distributable to the equity holders of the Company.

(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.

22 OTHER RESERVES – GROUP AND COMPANY – CONTINUED

(c) Statutory reserves

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

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

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

23 TRADE AND BILLS PAYABLES – GROUP

	2011	2010
	RMB'000	RMB'000
Trade payables		
– to independent third parties	**1,108,368**	1,001,325
– to related parties (Note 39(b))	**85,526**	16,458
	1,193,894	1,017,783
Bills payable		
– to independent third parties	**1,885**	2,201
	1,195,779	1,019,984

23 TRADE AND BILLS PAYABLES – GROUP – CONTINUED

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

	2011	2010
	RMB'000	RMB'000
Trade payables		
– Within 180 days	**1,180,331**	1,009,374
– 181 to 365 days	**5,473**	5,092
– Over 1 year	**8,090**	3,317
	1,193,894	1,017,783

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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance receipts from customers	**507,578**	386,355	**–**	–
Quality guarantee deposits from suppliers	**220,300**	104,701	**–**	–
Accruals for promotion and advertising expenses	**706,427**	575,055	**–**	–
Payables for purchase of equipment	**327,593**	119,571	**42,484**	–
Salary and welfare payables	**279,790**	218,143	**1,341**	1,047
Other payables and accruals	**365,399**	251,817	**1,479**	2,455
	2,407,087	1,655,642	**45,304**	3,502
Less: non-current portion	**(162,822)**	–	**–**	–
Current portion	**2,244,265**	1,655,642	**45,304**	3,502

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

25 BORROWINGS – GROUP AND COMPANY

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Bank borrowings, secured	**65,000**	–	**–**	–
Bank borrowings, unsecured	**1,446,915**	–	**1,311,960**	–
	1,511,915	–	**1,311,960**	–
Current				
Current portion of non-current bank borrowings				
– secured	**4,000**	–	**–**	–
– unsecured	**5,350**	–	**–**	–
	9,350	–	**–**	–
Short-term bank borrowing				
– unsecured	**1,574,867**	165,639	**–**	79,472
	1,584,217	165,639	**–**	79,472
Total borrowings	**3,096,132**	165,639	**1,311,960**	79,472

The non-current bank borrowings, secured as at 31 December 2011 of RMB69,000,000 (2010: Nil) represented long term bank loans secured by the pledge of land use right (Note 6) and investment properties (Note 8) of the Group with total net book value of approximately RMB504,805,000.

The non-current bank borrowings, unsecured as at 31 December 2011 of RMB1,452,265,000 (2011: Nil) included bank loans amounting to USD208,000,000 (equivalent to approximately RMB1,311,960,000) that were drawn down under a joint loan facility agreement ("Facility Agreement") entered into by the Company and a syndicate of banks. Pursuant to the Facility Agreement, the Company was granted a five years term loan facility amounting to USD250,000,000. The Group expects it has the intention and discretion to roll over the borrowings as at 31 December for at least twelve months after the balance sheet date under the Facility Agreement and accordingly classified the borrowings as non-current bank borrowings.

25 BORROWINGS – GROUP AND COMPANY – CONTINUED

The Group's and the Company's borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**1,584,217**	165,639	**–**	79,472
Between 1 and 2 years	**1,336,960**	–	**1,311,960**	–
Between 2 and 5 years	**136,305**	–	**–**	–
Over 5 years	**38,650**	–	**–**	–
Total borrowings	**3,096,132**	165,639	**1,311,960**	79,472

The carrying amounts of the borrowings approximated their fair values as at the balance sheet dates.

The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**164,000**	–	**–**	–
USD	**2,932,132**	165,639	**1,311,960**	79,472
	3,096,132	165,639	**1,311,960**	79,472

The weighted average effective interest rates at the respective balance sheet dates were set out as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings, secured				
– RMB	**6.72%**	–	**–**	–
Bank borrowing, unsecured				
– RMB	**6.65%**	–	**–**	–
– USD	**1.48%**	1.94%	**1.34%**	1.54%

25 BORROWINGS – GROUP AND COMPANY – CONTINUED

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At floating rate:				
– Expiring within one year	**4,650,911**	1,871,210	**1,134,162**	19,868
– Expiring beyond one year	**802,319**	–	**264,638**	–
	5,453,230	1,871,210	**1,398,800**	19,868

26 OTHER GAINS – NET

	2011	2010
	RMB'000	RMB'000
Government grant (Note (a))	**57,050**	–
Gain on disposal of available-for-sales financial assets (Note 13)	**23,071**	40,161
Loss from a fire accident (Note (b))	**(12,753)**	–
(Losses)/gains on disposal of property, plant and equipment, net	**(385)**	8,061
Others	**2,190**	7,626
	69,173	55,848

Notes:

(a) The income from government grants represented immediate financial support subsidy received from various local governments in the PRC as rewards to the Group's subsidiaries for their contributions to the economy and development of the regions in which the subsidiaries are located. Such government grants were unconditional and with no future commitment to be fulfilled. Accordingly, they were recognised as income in the consolidated income statements.

(b) In November 2011, a fire accident occurred in a wholly-owned subsidiary of the Group and certain inventories and property, plant and equipment with book value of RMB16,332,000 and RMB53,305,000, respectively, were damaged. The subsidiary is in the process of application for insurance claims on the damages. With reference to the status of the insurance claim, the Directors of the Company are of the view that is virtually certain that the loss on inventory can be fully recovered through insurance claim and accordingly an insurance claim receivable amounting to RMB16,332,000 was recognised as at 31 December 2011, resulting in no loss on inventory due to the fire accident. In respect of property, plant and equipment, as the insurance claim will take some time to finalise, no insurance claim receivable has been recognised nor disclosed in the financial statements of the Group as at 31 December 2011. Taking into account of the damaged property, plant and equipment that can be recovered through repair, the Directors estimated a loss due to the fire accident on property, plant and equipment amounting to RMB12,753,000.

27 OTHER INCOME

	2011 RMB'000	2010 RMB'000
Subsidiary income	**28,611**	30,740
Sales of raw materials	**67,444**	22,940
Rental income from lease of property, plant and equipment and investment properties	**25,379**	4,746
Dividend income from available-for-sales financial assets	**7,762**	10,500
Others	**6,776**	6,036
	135,972	74,962

28 EXPENSES BY NATURE

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

	2011 RMB'000	2010 RMB'000
Raw materials, packaging materials, consumables and purchased commodity used	**10,501,388**	7,056,622
Changes in inventories of finished goods	**69,346**	232,135
Manufacturing outsourcing expenses	**233,579**	274,724
Promotion and advertising expenses	**1,698,700**	1,425,747
Employee benefit expenses, including directors' emoluments (Note 29)	**1,877,393**	1,334,625
Transportation expenses	**832,853**	655,933
Amortisation of land use right (Note 6)	**20,838**	4,704
Depreciation of property, plant and equipment (Note 7)	**503,686**	363,699
Depreciation of investment properties (Note 8)	**1,915**	–
Amortisation of intangible assets (Note 9)	**3,824**	3,492
Operating lease in respect of buildings	**153,689**	106,415
City construction tax, property tax and other tax surcharges	**131,762**	36,718
Reversal of provision for impairment of property, plant and equipment (Note 7)	**(17)**	(65)
Provision for impairment of trade receivables (Note 17)	**679**	1,677
Reversal of provision for impairment of other receivables	**–**	(31,247)
(Reversal of provision)/write-down of inventories to net realisable value (Note 16)	**(6,305)**	8,556
Auditors' remunerations	**6,230**	6,264
Others	**846,271**	683,358
Total	**16,875,831**	12,163,357

29 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2011 RMB'000	2010 RMB'000
Wages and salaries	1,491,896	1,117,750
Pension and other social welfare (defined contribution plan)	198,223	137,161
Staff quarters and housing benefit	53,206	38,978
Other benefit	134,068	40,736
	1,877,393	1,334,625

(a) Directors' emoluments

During the years ended 31 December 2011 and 2010, 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
2011				
Executive directors				
Mr. Lo Chih-Hsien（羅智先）	50	762	5	817
Mr. Lin Wu-Chung（林武忠） (Note (a))	30	1,195	5	1,230
Mr. Hou Jung-Lung（侯榮隆） (Note (b))	14	243	–	257
Non-executive directors				
Mr. Kao Chin-Yen（高清愿）	82	–	–	82
Mr. Lin Chang-Sheng（林蒼生）	69	–	5	74
Mr. Lin Lung-Yi（林隆義）	83	–	5	88
Mr. Su Tsung-Ming（蘇崇銘）	38	–	–	38
Independent Non-executive directors				
Mr. Chen Sun-Te（陳聖德）	227	–	–	227
Mr. Fan Ren-Da（范仁達）	227	–	–	227
Mr. Yang Ing-Wuu（楊英武）	189	–	–	189
Mr. Peter Lo（路嘉星）	227	–	–	227
	1,236	2,200	20	3,456

Notes

(a) Resigned on 7 September 2011 upon retirement.

(b) Appointed on 8 September 2011.

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

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

There were no special emoluments to the directors for their appointments or resignation.

(b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the year ended 31 December 2011 include two (2010: two) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011	2010
Basic salaries, housing allowances, other allowances and benefits in kind (RMB'000)	**3,220**	2,989
In the band of:		
Nil to HKD1,000,000 (equivalent to Nil to RMB811,000)	**1**	1
HKD1,000,001 to HKD2,000,000 (equivalent to RMB881,001 to RMB1,621,000)	**2**	2

30 FINANCE INCOME – NET

	2011 RMB'000	2010 RMB'000
Finance income – interest income on cash and cash equivalents	**61,164**	59,807
Net foreign exchange gains/(losses)	**65,042**	(3,625)
	126,206	56,182
Interest expenses on bank borrowings	**(31,144)**	(980)
Finance income – net	**95,062**	55,202

31 INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current income tax		
– Current tax on profit for the year	**113,644**	178,978
– Withholding tax on profit distributed by a PRC subsidiary	**–**	11,500
Deferred income tax (Note 14)	**(29,193)**	(27,081)
	84,451	163,397

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

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

According to the New CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors.

31 INCOME TAX EXPENSE – CONTINUED

Subsidiaries incorporated in Taiwan and Hong Kong are subject to income tax at the prevailing rates of 25% and 16.5% (2010: 25% and 16.5%) respectively.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% (2010: 25%) applicable to profits of the consolidated entities as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**396,391**	682,465
Tax calculated at the statutory tax rate in the PRC	**99,098**	170,616
Tax effects of:		
Preferential tax rates on the profits of certain subsidiaries	**(13,463)**	(26,559)
Tax losses for which no deferred tax asset was recognised	**7,444**	23,763
Share of the results of jointly controlled entities and associates	**(10,021)**	(17,256)
Expenses not deductible for tax purpose	**1,393**	1,201
Withholding tax on earnings expected to be distributed by PRC subsidiaries	**–**	11,632
Income tax expense	**84,451**	163,397

The tax charge relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax RMB'000	**Tax charge RMB'000**	**After tax RMB'000**	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000
Transfer of fair value gain, net of tax, previously taken to reserve to income statement upon disposal of available-for-sale financial assets	**(20,322)**	**–**	**(20,322)**	(27,279)	–	(27,279)
Net fair value gains from available-for-sale financial assets	**15,605**	**(153)**	**15,452**	67,967	(1,587)	66,380
Other comprehensive income	**(4,717)**	**(153)**	**(4,870)**	40,688	(1,587)	39,101
Deferred income tax (Note 14)		**(153)**			(1,587)	

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 profit of approximately RMB165,693,000 (2010: a profit of approximately RMB363,998,000) (Note 22).

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.

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**311,940**	519,068
Weighted average number of ordinary shares in issue (thousands)	**3,599,445**	3,599,445
Basic earnings per share (RMB per share)	**8.67 cents**	14.42 cents

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

The dividends paid by the Company in 2011 and 2010 amounted to RMB155,712,000 (RMB4.326 cents per share) and RMB352,458,000 (RMB9.792 cents per share) respectively.

A dividend in respect of the year ended 31 December 2011 of RMB2.600 cents per share, amounting to a total dividend of RMB93,582,000, is to be proposed at the annual general meeting to be held on 17 May 2012. These financial statements do not reflect this dividend payable.

	2011 **RMB'000**	2010 RMB'000
Proposed final dividend of RMB2.600 cents (2010: RMB4.326 cents) per ordinary share	**93,582**	155,712
	93,582	155,712

35 CASH GENERATED FROM OPERATIONS

	2011 RMB'000	2010 RMB'000
Profit before income tax	**396,391**	682,465
Adjustments for:		
– Share of results of jointly controlled entities and associates	**(40,086)**	(69,026)
– Gains on disposal of available-for-sales financial assets (Note 26)	**(23,071)**	(40,161)
– Amortisation of land use right (Note 6)	**20,838**	4,704
– Depreciation of property, plant and equipment (Note 7)	**503,686**	363,699
– Depreciation of investment properties (Note 8)	**1,915**	–
– Amortisation of intangible assets (Note 9)	**3,824**	3,492
– Loss from a fire accident (Note 26)	**12,753**	–
– Losses/(gains) on disposal of property, plant and equipment (Note 26)	**385**	(8,061)
– Reversal of provision for impairment of property, plant and equipment (Note 7)	**(17)**	(65)
– (Reversal)/write-down of inventories to net realisable value (Note 16)	**(6,305)**	8,556
– Provision for impairment of trade receivables (Note 17)	**679**	1,677
– Reversal of provision for impairment of other receivables	**–**	(31,247)
– Interest income (Note 30)	**(61,164)**	(59,807)
– Interest expenses (Note 30)	**31,144**	980
– Foreign exchange (gains)/losses (Note 30)	**(65,042)**	3,625
– Dividend income from available-for-sales financial assets (Note 27)	**(7,762)**	(10,500)
	768,168	850,331
Changes in working capital:		
– (Increase)/decrease in pledged bank deposits	**(12,935)**	19,954
– Increase in trade receivables	**(112,989)**	(129,914)
– Decrease/(Increase) in prepayments, deposits and other receivables	**13,303**	(256,839)
– Increase in other non-current receivables	**(8,325)**	(287,020)
– Increase in inventories	**(145,043)**	(459,715)
– Increase in trade and bills payables	**162,057**	512,593
– Increase in other payables and accruals	**600,672**	464,903
– Increase in other non-current payables	**162,822**	–
Cash generated from operations	**1,427,730**	714,293

35 CASH GENERATED FROM OPERATIONS – CONTINUED

In the statements of cash flows, proceeds from disposal of property, plant and equiopment comprise:

	2011 **RMB'000**	2010 RMB'000
Net book amount (Note 7)	**45,192**	24,567
(Losses)/gains on disposal of property, plant and equipment (Note 26)	**(385)**	8,061
Value added tax and other tax surchagres charged to buyer	**9,998**	–
Proceeds from disposal of property, plant and equipment	**54,805**	32,628

Non-cash transactions

The principal non-cash transaction in 2011 is the acquisition of non-current assets by assuming directly related liabilities with amount of RMB208,022,000.

36 FINANCIAL GUARANTEE CONTRACTS

	2011 **RMB'000**	2010 RMB'000
Guarantees to a related party	**110,104**	199,010

The Group provides guarantees for the bank borrowings and finance leases of Jinmailang Corporate, an associate of the Group (Note 12). As at 31 December 2011, Jinmailang Corporate has drawn down bank borrowings and entered into finance leases under such guarantee with total amount of RMB110,104,000 (2010: RMB199,010,000).

The financial guarantee contract had not been recognised in the consolidated financial statements as the Group considered that the fair value of the guarantee contract was insignificant.

37 COMMITMENTS

(a) Capital commitments

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

	2011 **RMB'000**	2010 RMB'000
Contracted but not provided for	**254,701**	134,276

There is no capital commitment of the Company as at 31 December 2011.

37 COMMITMENTS – CONTINUED

(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:

	2011 RMB'000	2010 RMB'000
Not later than 1 year	**23,499**	17,067
Later than 1 year and not later than 5 years	**35,286**	14,131
Later than 5 years	**131,108**	–
	189,893	31,198

The Group is the lessor:

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

	2011 RMB'000	2010 RMB'000
Not later than 1 year	**28,859**	945
Later than 1 year and not later than 5 years	**61,872**	1,890
Later than 5 years	**24,330**	–
	115,061	2,835

37 COMMITMENTS – CONTINUED

(c) Investment commitments

As at 31 December 2011, the Group has following significant commitments in respect of capital contribution to investments:

(i) Pursuant to a subscription agreement entered into in November 2010, the existing shareholders of Wondersun Dairy agreed to subscribe for additional shares in proportion of their respective equity interests. As at 31 December 2011, the Group has made additional capital contribution of approximately RMB51,665,000 to Wondersun Dairy, representing 50% of the committed new subscription of share capital. The remaining commitment of investment of approximately RMB51,665,000 is payable no later than the first quarter 2013.

(ii) In April 2009, the Group together with other investors set up a Sino-foreign joint venture company in the PRC, China F&B, for the purpose of investments in companies engaging in food and beverage business in the PRC. The Group has agreed to subscribe, in aggregate, 39.74% of the registered capital of China F&B at a total subscription price of RMB245,000,000. As at 31 December 2011 and up to the date of approval of these consolidated financial statements, the Group has made capital injection of RMB220,500,000, with the remaining investment commitment of RMB24,500,000, which has been committed to be paid no later than April 2014.

(iii) In December 2010, the Group entered into an agreement with a third party in respect of the establishment of a joint venture company, Wuhan Zijiang President Enterprises Co., Ltd. for the purpose of production of PET bottle mould products for the Group. Pursuant to the agreement, the Group has agreed to subscribe, in aggregate, 50% of the total registered capital of the joint venture company at a total subscription price of USD10,000,000 (approximately RMB66,227,000). As at 31 December 2011 and up to the date of approval of these consolidated financial statements, the Group has made capital injection of RMB49,500,000 with the remaining investment commitment of RMB16,727,000.

38 BUSINESS COMBINATIONS

In May 2011, the Group acquired the equity interest of Shanghai Cartelo Crocodile Industries Co., Ltd. and Shanghai Ruxin Leather Co., Ltd. (collectively "Cartelo Companies") at a total consideration of approximately RMB520,798,000 (collectively refers to the "Acquisition"). The Cartelo Companies own an investment property located in Shanghai, the PRC, together with the underlying land use right.

The amounts of the fair value of the identifiable assets acquired and liabilities assumed are as follows:

Cash and cash equivalents	1,132
Land use right (Note 6)	676,616
Investment properties (Note 8)	103,384
Receivables	882
Payables	(13,738)
Borrowings	(96,840)
Deferred income tax liability (Note 14)	(150,638)
Total identifiable net assets	520,798

The outflow of cash to acquire business, net of cash acquired, comprised of

Cash consideration paid	520,798
Cash and cash equivalents in the subsidiaries acquired	(1,132)
Cash outflow on the Acquisition	519,666

The acquired business contributed lease income of RMB19.9 million and net loss of RMB3.9 million to the Group for the period from 1 May 2011 to 31 December 2011.

Had the acquired business been consolidated from 1 January 2011, the consolidated income statement would show lease income of RMB27.0 million and net loss of RMB8.0 million.

39 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties:

The following transactions are carried out with related parties:

	Note	2011 RMB'000	2010 RMB'000
Sales of goods:	(i)		
Subsidiaries of Uni-President		**72,220**	62,755
Jointly controlled entities of the Group		**4,757**	23
An associate of the Group		**10,375**	8,414
		87,352	71,192
Purchase of raw materials and finished goods:	(i)		
Subsidiaries of Uni-President		**815,243**	623,033
Jointly controlled entities of the Group		**162,198**	87,576
Associates of the Group		**30,561**	63,985
		1,008,002	774,594
Sales of Property, plant and equipment			
An associate of the Group		**45,078**	–
Consultation service income:	(ii)		
Subsidiaries of Uni-President		**1,181**	396
A jointly controlled entity of the Group		**265**	–
An associate of the Group		**616**	672
		2,062	1,068
Rental income:	(iii)		
Subsidiaries of Uni-President		**5,886**	5,502

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

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 agreements made between the parties.

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

39 RELATED PARTY TRANSACTIONS – CONTINUED

(b) Balances with related parties:

The Group has the following significant balances with its related parties as at 31 December 2011:

	2011 RMB'000	2010 RMB'000
Balances due from related parties:		
Trade receivables (Note 17):		
Subsidiaries of Uni-President	**4,814**	6,541
Prepayments and other receivables (Note 18):		
Subsidiaries of Uni-President	**4,862**	2,893
Associates of the Group	**55,985**	61,795
Jointly controlled entities of the Group	**774**	140
	61,621	64,828
Total	**66,435**	71,369
Balances due to related parties:		
Trade payables (Note 23):		
Subsidiaries of Uni-President	**77,517**	11,839
Jointly controlled entities of the Group	**8,009**	3,774
An associate of the Group	**–**	845
Total	**85,526**	16,458

Other than the balances due from an associate amounted to RMB55,643,000 at an weighted average interest rate of 7.22% per annum and repayable no later than September 2012, the remaining balances due from and due to related parties are unsecured, non-interest bearing and have no fixed repayment terms. The carrying amounts of balances due from and due to related parties approximate their fair value as at balance sheet dates.

(c) Key management compensation:

	2011 RMB'000	2010 RMB'000
Salaries, bonus and other welfares	**7,234**	6,999

40 SUBSIDIARIES

The following sets out the details of the principal subsidiaries of the Company as at 31 December 2011.

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2011	Equity interest held 2010	Principal activities/place of operation
Directly owned					
Uni-President Asia Holdings Ltd.	Cayman Islands, 29 June 2006	USD310,720,000	**100%**	100%	Investment holding/Cayman islands
Indirectly owned					
統一企業(中國)投資有限公司 (Uni-President Enterprises (China) Investments Ltd.*)	Shanghai, PRC. 10 March 1998	USD551,570,000	**100%**	100%	Investment holding/PRC
新疆統一企業食品有限公司 (Xinjiang President Enterprises Food Co., Ltd.*)	Urumqi, PRC. 13 January 1992	USD25,500,000	**100%**	100%	Manufacturing and sale of beverages, foods and instant noodles/PRC
北京統一食品有限公司 (Beijing President Enterprises Food Co., Ltd.*)	Beijing, PRC. 2 April 1992	USD23,400,000	**100%**	100%	Manufacturing and sale of instant noodles/PRC
成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*)	Chengdu, PRC. 14 April 1993	USD50,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
昆山統一企業食品有限公司 (Kunshan President Enterprises Food Co., Ltd.*)	Kunshan, PRC. 14 May 1993	USD81,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
武漢統一企業食品有限公司 (Wuhan President Enterprises Food Co., Ltd. *)	Wuhan, PRC. 7 July 1993	USD44,600,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
廣州統一企業有限公司 (Guangzhou President Enterprises Corp.*)	Guangzhou, PRC. 5 December 1994	USD60,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC

40 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2011	Equity interest held 2010	Principal activities/place of operation
沈陽統一企業有限公司 (Shenyang President Enterprises Co., Ltd.*)	Shenyang, PRC. 15 June 1995	USD29,900,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
合肥統一企業有限公司 (Hefei President Enterprises Co., Ltd.*)	Hefei, PRC. 23 February 1998	USD20,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
哈爾濱統一企業有限公司 (Harbin President Enterprises Co., Ltd.*)	Harbin, PRC. 26 February 1998	USD25,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
北京統一飲品有限公司 (Beijing President Enterprises Drinks Co., Ltd.*)	Beijing, PRC. 20 February 2001	USD29,500,000	**100%**	100%	Manufacturing and sale of beverages/PRC
南昌統一企業有限公司 (Nanchang President Enterprises Co., Ltd.*)	Nanchang, PRC. 18 May 2001	USD31,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
福州統一企業有限公司 (Fuzhou (President Enterprises Co., Ltd.*)	Fuzhou, PRC. 19 July 2001	USD20,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
四川弘通商貿有限責任公司 (Sichuan (Hongtong Commercial Trading Co., Ltd.*)	Chengdu, PRC. 5 February 2002	RMB2,000,000	**100%**	100%	Wholesale of beverages, instant noodles and food products/ PRC
鄭州統一企業有限公司 (Zhengzhou President Enterprises Co., Ltd.*)	Zhengzhou, PRC. 25 June 2002	USD37,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC

40 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2011	Equity interest held 2010	Principal activities/place of operation
統一(上海)商貿有限公司 (President (Shanghai) Trading Co., Ltd.*)	Shanghai, PRC. 17 October 2005	USD8,600,000	**100%**	100%	Trading of beverages, instant noodles and food products/ PRC
統仁實業股份有限公司 (Tong Ren Corp. Limited.*)	Taiwan 28 December 2006	NTD1,000,000	**100%**	100%	Human resource management/Taiwan
昆明統一企業食品有限公司 (Kunming President Enterprises Food Co., Ltd.*)	Kunming, PRC. 8 November 2007	USD30,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
皇茗資本有限公司 (Champ Green Capital Limited.*)	Hong Kong 5 June 2008	HKD11,640,000	**100%**	100%	Investment holding/Hong Kong
巴馬統一企業有限公司 (Bama President Enterprises Co., Ltd.*)	Bama, PRC. 20 February 2009	USD4,150,000	**100%**	100%	Manufacturing and sale of beverages/PRC
統一企業香港控股有限公司 (Uni-President HongKong Holdings Ltd.*)	Hong Kong 30 April 2009	HKD701,257,600	**100%**	100%	Investment holding and trading
皇茗企業管理咨詢(上海)有限公司 (Champ Green (Shanghai) Consulting Co, Ltd.*)	Shanghai, PRC. 12 May 2009	USD150,000	**100%**	100%	Management Consulting
資溪統一企業飲品有限公司 (Zixi President Enterprises Drinks Co., Ltd.*)	Zixi, PRC. 9 March 2010	USD1,000,000	**100%**	100%	Manufacturing and sale of beverages/PRC
長沙統一企業有限公司 (Changsha President Enterprises Co., Ltd.*)	Changsha, PRC. 1 September 2010	USD17,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
成都統一巧面館餐飲文化有限公司 (Chengdu unifies the skillful noodle restaurant dining culture limited Company*)	Chengdu, PRC. 24 August 2010	RMB1,000,000	**100%**	100%	Catering services/PRC

40 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2011	2010	Principal activities/place of operation
湛江統一企業有限公司 (Zhanjiang President Enterprises Co., Ltd.*)	Zhanjiang, PRC. 28 October 2010	USD12,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
南寧統一企業有限公司 (Nanning President Enterprises Co., Ltd.*)	Nanning, PRC. 16 November 2010	USD17,000,000	**100%**	100%	Manufacturing and sale of beverages and instant noodles/PRC
長春統一企業有限公司 (Changchun President enterprise Co,. Ltd.*)	Changchun, PRC. 01 December 2010	USD18,000,000	**100%**	–	Manufacturing of mineral water and instant food projects/ PRC
阿克蘇統一企業有限公司 (Akesu President enterprise Co,. Ltd.*)	Akesu, PRC. 15 December 2010	USD11,993,163	**100%**	–	Wholesale of forage and fertilizer/PRC
泰州統一企業有限公司 (Taizhou President enterprise Co,. Ltd.*)	Taizhou, PRC. 28 January 2011	USD30,000,000	**100%**	–	Manufacturing and sale of beverages and instant noodles/PRC
重慶統一企業有限公司 (Chongqing President enterprise Co,. Ltd.*)	Chongqing, PRC 16 February 2011	USD20,155,000	**100%**	–	Wholesale and retail of pre-packaged food and dairy products/PRC
白銀統一企業有限公司 (Baiyin President enterprise Co,. Ltd.*)	Baiyin, PRC. 24 February 2011	USD9,600,000	**100%**	–	Manufacturing and sale of beverages and instant noodles/PRC
上海統一寶麗時代實業有限公司 (Uni-President Shanghai Pearly Century Co., Ltd.*)	Shanghai, PRC. 1 August 2003	RMB60,000,000	**100%**	–	Leasing business/PRC
上海茹馨皮具有限公司 (Shanghai Ruxin Leather Products Co.,Ltd.*)	Shanghai, PRC. 18 July 2003	RMB20,000,000	**100%**	–	Investment holding/PRC
海南統一企業有限公司 (Hainan President enterprise Co,. Ltd.*)	Chengmai, PRC. 3 March 2011	USD4,094,200	**100%**	–	Manufacturing and sale of beverages/PRC

40 SUBSIDIARIES – CONTINUED

Company name	Country/place and date of incorporation	Issued and paid-up capital	Equity interest held 2011	2010	Principal activities/place of operation
石家莊統一企業有限公司 (Shijiezhuang President enterprise Co,.Ltd.*)	Shijiazhuang, PRC. 15 November 2011	USD6,673,200	100%	–	Manufacturing and sale of beverages and instant noodles/PRC
濟南統一企業有限公司 (Jinan President enterprise Co,. Ltd.*)	Jinan, PRC. 18 April 2011	USD9,013,200	100%	–	Manufacturing and sale of beverages and instant noodles/PRC
貴陽統一企業有限公司 (Guiyang President enterprise Co,. Ltd.*)	Guiyang, PRC. 6 July 2011	USD4,280,000	100%	–	Manufacturing and sale of beverages and instant noodles/PRC
武穴統一企業礦泉水有限公司 (Wuxue Uni Mineral Water Co,. Ltd.*)	Wuxue , PRC. 6 July 2011	USD3,600,000	100%	–	Manufacturing mineral water/ PRC
上海統星食品貿易有限公司 (President (Shanghai) Private Label Marketing & Trading Co., Ltd.*)	Shanghai, PRC. 28 June 2011	USD200,000	100%	–	Wholesale of pre-packaged food and dairy products/PRC
杭州統一企業有限公司 (Hangzhou President enterprise Co,.Ltd.*)	Hangzhou, PRC. 21 June 2011	USD4,500,000	100%	–	Manufacturing and sale of beverages/PRC
徐州統一企業有限公司 (Xuzhou President enterprise Co,.Ltd.*)	Xuzhou, PRC. 2 September 2011	USD12,000,000	100%	–	Manufacturing and sale of beverages and instant noodles/PRC

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

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

統一企業中國控股有限公司
UNI-PRESIDENT CHINA HOLDINGS LTD.
(a company incorporated in the Cayman Islands with limited liability)
(一家於開曼群島註冊成立的有限公司)
(Stock Code 股份編號: 220)