



CHINA HUIYUAN JUICE GROUP LIMITED

中國滙源果汁集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

Key financial figures

For the six months ended 30 June

	2008	2007	Change
	RMB'000	RMB'000	(%)
Sales	1,294,440	1,365,203	-5.2%
Gross profit	391,531	503,263	-22.2%
Profit for the period [#]	367,341	342,763	7.2%

- For the six months ended 30 June 2008, despite the slight decline in sales, Huiyuan Juice managed to maintain its profitability with profit attributable to equity holders of RMB367.3 million, up 7.2% year-on-year.
- According to AC Nielsen, Huiyuan Juice accounted for 43.8% and 42.4% market share by sales value in 100% juice and nectars for the first half of 2008 respectively, maintaining its leading position in the respective markets.

[#] Note: Profit for the period is equivalent to the profit attributable to equity holders.

* For identification purpose only

In this announcement “we”, “us” and “our” refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The directors (the “Directors”) of China Huiyuan Juice Group Limited (the “Company”) are pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group” or “Huiyuan Juice”) for the six months ended 30 June 2008, along with the comparative figures for the corresponding period of last year as follows:

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2008	2007
	<i>Note</i>	RMB'000	RMB'000
Revenue	5	1,294,440	1,365,203
Cost of goods sold	7	(902,909)	(861,940)
		<hr/>	<hr/>
Gross profit		391,531	503,263
Other income	6	51,030	22,634
Other gains		971	—
Selling and marketing expenses	7	(272,356)	(291,533)
Administrative expenses	7	(79,036)	(55,959)
Interest income from subscription monies from initial public offering of shares		—	206,814
Finance income/(cost) — net	8	289,389	(17,757)
		<hr/>	<hr/>
Profit before income tax		381,529	367,462
Income tax expense	9	(14,188)	(24,699)
		<hr/>	<hr/>
Profit for the period attributable to the equity holders of the Company		367,341	342,763
		<hr/> <hr/>	<hr/> <hr/>
		RMB Cents	RMB Cents
		<i>per Share</i>	<i>per Share</i>
Earnings per share for profit attributable to the equity holders of the Company	10		
— basic		25.0	27.1
— diluted		7.0	25.8
		<hr/> <hr/>	<hr/> <hr/>
Dividends	11	—	—
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30 June 2008	Audited 31 December 2007
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,481,429	2,241,112
Intangible assets		484,148	323,826
Land use rights		354,256	337,399
Investment in associate		2,500	—
Deferred income tax assets		22,904	24,092
		<hr/>	<hr/>
Total non-current assets		3,345,237	2,926,429
		<hr/>	<hr/>
Current assets			
Inventories		990,072	742,044
Trade and other receivables	12	801,690	666,195
Derivative financial instruments		971	1,568
Other loans and receivables		893,612	1,250,718
Restricted cash		258,145	10,033
Cash and cash equivalents		666,252	1,290,220
		<hr/>	<hr/>
Total current assets		3,610,742	3,960,778
		<hr/>	<hr/>
Total assets		6,955,979	6,887,207
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		114	114
Share premium		3,716,982	3,716,982
Other reserves		111,868	116,040
Retained earnings		1,036,576	828,084
		<hr/>	<hr/>
Total equity		4,865,540	4,661,220
		<hr/>	<hr/>

		Unaudited	Audited
		30 June	31 December
		2008	2007
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		632,104	511,322
Deferred government grants		63,844	65,662
Long-term payable for land use rights		9,023	8,953
Long-term payable for license fee		7,116	8,225
Convertible bonds	13	687,098	945,182
		<hr/>	<hr/>
Total non-current liabilities		1,399,185	1,539,344
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	14	491,970	645,923
Taxation payable		7,699	12,979
Deferred revenue		14,268	27,741
Borrowings		177,317	—
		<hr/>	<hr/>
Total current liabilities		691,254	686,643
		<hr/>	<hr/>
Total liabilities		2,090,439	2,225,987
		<hr/>	<hr/>
Total equity and liabilities		6,955,979	6,887,207
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,919,488	3,274,135
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		6,264,725	6,200,564
		<hr/> <hr/>	<hr/> <hr/>

SELECTED NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2008

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

China Huiyuan Juice Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of juice beverages in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

Pursuant to a group reorganisation (the “Reorganisation”) which included exchange of shares to rationalize the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of Huiyuan Beijing Holdings Limited, Huiyuan Shanghai Holdings Limited and Huiyuan Chengdu Holdings Limited (the “BVI Companies”), the then holding companies of all other companies comprising the Group and consequently became the holding company of the Group. The Reorganisation was completed on 23 February 2007.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 February 2007.

This unaudited condensed consolidated interim financial information was authorised for issue by the Board of Directors of the Company on 9 September 2008.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRS.

Prior to and following the Reorganisation in 2007, the Company and its subsidiaries were and are directly or indirectly controlled by the same shareholders. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The condensed consolidated interim financial information of the Group for the six months ended 30 June 2007 had been prepared on the merger basis as if the Company had been the holding company of these companies comprising the Group since 1 January 2007, or since their dates of incorporation, or from the effective dates of acquisition or up to the effective dates of disposal.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- IFRIC — Int 11, ‘IFRS 2 — Group and treasury share transactions’.
- IFRIC — Int 12, ‘Service concession arrangements’.
- IFRIC — Int 14, ‘IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction’.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

Relevant to the Group:

- IFRS 8, ‘Operating segments’, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, ‘Segment reporting’, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.
- IAS 23 (amendment), ‘Borrowing costs’, effective for annual periods beginning on or after 1 January 2009. IAS 23 (amendment) removes the option of expensing the borrowing costs and requires an entity to capitalise borrowing costs attributable to qualifying assets. Management is currently assessing the impact of this standard on the Group’s financial statements.

- IFRS 2 (amendment), ‘Share-based payment — vesting conditions and cancellations’, effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management is currently assessing the impact of this amendment on the Group’s financial statements.
- IFRS 3 (amendment), ‘Business combinations’ and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’ and IAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IFRS 3 (amendment) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are ‘capable of being conducted’ rather than ‘are conducted and managed’. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRS. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply IFRS 3 (amendment) from 1 January 2010.

- IAS 1 (amendment), ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2009. IAS 1 (amendment) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (amendment) from 1 January 2009.
- IFRIC — Int 13, ‘Customer loyalty programmes’, effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition. IFRIC — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. Management is currently assessing the impact of this interpretation on the Group’s financial statements.

Not relevant to the Group:

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This is not relevant to the Group's financial statements.
- IFRS 1 and IAS 27 (amendment), 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18, 'Revenue', IAS 21, 'The effects of changes in foreign exchange rates' and IAS 36, 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

4. SEGMENT REPORTING

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues and results. Also, less than 10% of the Group's total assets are located outside the PRC. Accordingly, no geographical segment is presented.

5. REVENUE

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Juice	1,182,350	1,275,979
Other beverages	112,090	89,224
	<u>1,294,440</u>	<u>1,365,203</u>

6. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net gain from sales of recyclable containers	19,460	10,585
Interest income from other loans and receivables	19,576	—
Income from sales of scrap	4,821	610
Net gain from processing beverages for third party	4,726	—
Other subsidy income	3,310	690
Amortisation of deferred government grants	1,878	4,970
Gain on disposals of property, plant and equipment	694	337
Donation to China Charity Federation and Chinese Red Cross	(6,066)	—
Others	2,631	5,442
	<u>51,030</u>	<u>22,634</u>

7. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Raw materials used and changes in inventories	726,895	713,434
Advertising and other marketing expenses	196,090	221,302
Depreciation of property, plant and equipment	83,893	64,765
Employee benefit expense	70,890	52,722
Transportation and related charges	51,408	50,520
Water and electricity	55,093	50,051
Repairs and maintenance	19,554	15,523
Office and communication expenses	7,845	3,607
Travelling expense	6,562	3,057
Amortisation of land use rights	3,556	2,274
Amortisation of trademark, license right and sales network	3,548	4,790
Rental expenses	2,960	3,111
Other expenses	26,007	24,276
	<u>1,254,301</u>	<u>1,209,432</u>
Total cost of goods sold, selling and marketing expenses and administrative expenses		

8. FINANCE INCOME/(COST) — NET

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest income:		
— from bank deposits (excluding time deposit)	5,240	23,275
— from money market funds	—	23,564
	<u>5,240</u>	<u>46,839</u>
Interest expenses:		
— Bank borrowings	(14,130)	(27,748)
— Interest expense relating to Convertible Bonds (<i>Note 13</i>)	(27,174)	(22,984)
Less: Interest capitalised	6,548	—
	<u>(34,756)</u>	<u>(50,732)</u>
Exchange gain/(loss) (excluding Convertible Bonds)	34,171	(29,475)
Exchange gain on liability component of Convertible Bonds (<i>Note 13</i>)	30,774	9,554
Fair value changes of conversion right of Convertible Bonds (<i>Note 13</i>)	253,960	6,057
	<u>289,389</u>	<u>(17,757)</u>
Weighted average effective interest rate used to calculate capitalisation amount	5.05%	—

9. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	13,094	27,644
Deferred income tax charge/(credit)	1,094	(2,945)
	<u>14,188</u>	<u>24,699</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Profit before income tax	381,529	367,462
Tax calculated at the statutory tax rate of 25% (2007: 33%)	95,382	121,262
Preferential tax rates on the income of certain subsidiaries	(82,365)	(98,790)
Expenses not deductible for tax purposes	1,171	2,227
Income tax expense	14,188	24,699

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

PRC enterprise income tax is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purpose. In 2007, the applicable enterprise income tax rate for the companies of the Group was 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax. The National People's Congress of the PRC approved the Unified CIT Law (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate subject to the Group is 25%, with certain grandfathering provisions and preferential provisions, except that certain companies are entitled to preferential tax treatment. 5 subsidiaries benefit 2-year tax exemption and 6 subsidiaries benefit 3-year 50% deduction in tax rate.

10. EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to equity holders of the Company	367,341	342,763
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,468,817	1,266,222
Basic earnings per share (<i>RMB cents</i>)	25.0	27.1

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under its Convertible Bonds and share option schemes. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the Convertible Bonds and the exercise of the share options,

with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	<i>RMB'000</i>
Profit attributable to equity holders of the Company	367,341	342,763
Add: Interest expense relating to Convertible Bonds	27,174	22,984
Less: Unrealised exchange gain relating to Convertible Bonds	(30,774)	(9,554)
Less: Fair value changes of conversion right of Convertible Bonds	(253,960)	(6,057)
	<hr/>	<hr/>
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	109,781	350,136
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,468,817	1,266,222
Adjustment for Convertible Bonds (<i>thousands</i>)	110,408	92,664
Adjustment for share options (<i>thousands</i>)	—	623
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	1,579,225	1,359,509
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share (<i>RMB cents</i>)	7.0	25.8
	<hr/> <hr/>	<hr/> <hr/>

11. DIVIDENDS

The dividends for the year ended 31 December 2007 amounting to RMB158,849,000 was paid in May 2008 (31 December 2006: nil). Board of directors did not recommend the payment of an interim dividends for the six months ended 30 June 2008 (corresponding period in 2007: nil).

12. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
Trade receivables	277,166	164,668
Related parties (a)	1,073	2
Third parties (a)	284,127	173,381
Provision for impairment of receivables	(8,034)	(8,715)
Other receivables	52,182	30,533
Related parties	16,700	14,717
Third parties	35,482	15,816
Prepayments for raw materials	398,024	402,265
Related parties	126,811	220,757
Third parties	271,213	181,508
Bills receivable — third parties	74,318	68,729
	801,690	666,195

- (a) Credit risk with respect to trade receivables is not significant, as the Group has a large number of customers, which are widely dispersed within the PRC. The majority of the Group's sales are settled in cash or by cheque on delivery of goods. The remaining amounts are with credit terms of 90–180 days. As at 30 June 2008, trade receivables of RMB34,796,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As at 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables was as follows:

— Third parties

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
Within 3 months	157,501	143,015
Between 4 and 6 months	83,796	25,653
Between 7 and 12 months	41,578	4,573
Between 1 and 2 years	1,252	140
	284,127	173,381

— Related parties

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
Within 3 months	1,001	2
Between 4 and 6 months	72	—
	1,073	2

13. CONVERTIBLE BONDS

	Unaudited 30 June 2008 <i>RMB'000</i>	Audited 31 December 2007 <i>RMB'000</i>
Convertible bonds due 2011, liability components	498,413	504,564
Fair value of embedded derivatives	188,685	440,618
	687,098	945,182

On 5 February 2007, the Company, China Hui Yuan Juice Holdings Co., Ltd., the then holding company of the Company, and the holders of convertible bonds issued by China Hui Yuan Juice Holdings Co., Ltd. in June 2006 (the “June 2006 Convertible Bond”), entered into an agreement (the “Agreement”) pursuant to which the Company agreed to issue an aggregate of US\$85,000,000 (equivalent to approximately RMB663,000,000) convertible bonds due 28 June 2011 (the “Convertible Bonds”) and an additional US\$675,000 (equivalent to approximately RMB5,265,000) convertible bonds as an interest payment in kind (the “PIK”) to the holders of the June 2006 Convertible Bond in exchange for the surrender of the June 2006 Convertible Bonds by the holders. The Convertible Bonds have the same terms and conditions as the June 2006 Convertible Bonds.

Upon completion of the Agreement on 23 February 2007, the Company recorded the estimated fair value of the Convertible Bonds as a distribution to equity holders.

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

(i) Interest rate

The Company shall pay interest on the Convertible Bonds at 2.0% per annum prior to the date on which dealings in the Company's shares first commence on The Stock Exchange of Hong Kong Limited (the "Listing Date") and 2.5% per annum following the Listing Date. A bondholder may (but is not obliged to) elect to receive some or all of the interest payments payable to it on any interest payment date by way of receipt of Convertible Bonds with an equivalent principal amount.

(ii) Conversion price

Each one of the bondholder has the right to convert any outstanding Convertible Bonds into the ordinary shares of the Company at 85% of the offer price upon the Company's initial public offering of shares (the "Offer Price" amounted to HK\$6).

(iii) Maturity

The Company must redeem any outstanding Convertible Bonds on 28 June 2011 at a price that will enable the bondholders to receive a 7.5% internal return rate on the principal amount of the Convertible Bonds being redeemed (excluding any additional Convertible Bonds received as interest payment in kind).

(iv) Redemption

On 28 June 2009, each one of the bondholder has an option, subject to the approval of the majority bondholders, to require the Company to redeem the outstanding Convertible Bonds held by it at a price as determined under the Agreement.

In addition to the above, Mr. Zhu Xinli has also undertaken to compensate the bondholders in respect of any shortfall in the prescribed rate of return of the bondholders as set out in the Agreement.

On 28 December 2007 and 27 June 2008, Convertible Bonds issued upon exercise of the PIK option of the Convertible Bonds with face value US\$830,000 and US\$821,000 respectively.

As at 31 December 2007, bonds with face value US\$14,000,000 have been converted into ordinary shares of the Company at the price of HK\$5.1 during the period from August to October 2007. Accordingly, ordinary shares of the Company increased by 21,318,703 shares as at 31 December 2007. There was no conversion of bond for the period of the six months ended 30 June 2008.

The fair value of the Convertible Bonds was determined by an independent qualified valuer based on the binomial valuation model. The fair value of the liability component on initial recognition was valued using a discounted cash flow model. The fair value of the conversion rights, together with redemption rights and interest settlement option as a single derivative (the “conversion right”) was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the conversion right.

	<i>RMB'000</i>
Fair value of conversion right as at 31 December 2007	440,618
Add: Fair value of conversion right of the bonds issued upon exercise of PIK option	2,027
Less: Fair value of conversion right as at 30 June 2008	<u>(188,685)</u>
Fair value changes of conversion right included in finance income (<i>note 8</i>)	<u><u>253,960</u></u>

Fair value changes of conversion right, redemption right and interest settlement option for the period is RMB253,960,000 (corresponding period in 2007: RMB6,057,000), which is recognised in the condensed consolidated interim income statement as finance income. The related interest expense of the liability component of the Convertible Bonds for the six months ended 30 June 2008 amounted to RMB27,174,000 (corresponding period in 2007: RMB22,984,000), which is calculated using the effective interest method with an effective interest rate of 11.38%.

	<i>RMB'000</i>
Liability component as at 31 December 2007	504,564
Add: Interest expense for the period (<i>note 8</i> , including liability component of bonds issued upon exercise of PIK option of RMB3,605,000)	27,174
Less: Interest payment during the period	(524)
Interest changed to conversion right of bonds issued on PIK option	(2,027)
Unrealised exchange gain	<u>(30,774)</u>
Liability component as at 30 June 2008	<u><u>498,413</u></u>

14. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)	193,818	275,116
Related parties	—	8,161
Third parties	193,818	266,955
Other payables	298,152	370,807
Related parties	3,053	138
Third parties	295,099	370,669
	491,970	645,923

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

— Third parties

	Unaudited	Audited
	30 June	31 December
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	173,981	254,045
Between 4 and 6 months	8,491	5,806
Between 7 and 12 months	4,776	3,252
Between 1 and 2 years	2,834	699
Between 2 and 3 years	660	979
Over 3 years	3,076	2,174
	193,818	266,955

— Related parties

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
Within 3 months	<u>—</u>	<u>8,161</u>

15. SUBSEQUENT EVENTS

- (a) On 7 July 2008, two subsidiaries of the Group, Beijing Huiyuan Food and Beverage Co., Ltd. and Huiyuan Beijing Holdings Ltd. established a new wholly-owned subsidiary, Yanbian Huiyuan Food and Beverage Co., Ltd., with registered capital of USD10,000,000.
- (b) On 3 September 2008, The Coca-Cola Company (“Coca-Cola”) and the Company jointly announced Coca-Cola’s intention to make a voluntary general offer, through its wholly-owned subsidiary Atlantic Industries, to purchase all of the issued shares in the capital of the Company, all of its outstanding convertible bonds, and for the cancellation of all its outstanding options (the “Offers”). The making of the Offers is subject to a pre-condition relating to regulatory approval in the PRC. The Offers value the fully diluted share capital of the Company at approximately HK\$19.6 billion.

MARKET REVIEW

Review of the China Juice Beverage Market

The juice beverage market in China continued its steady growth in the first half of 2008. The growth in urban population and disposable income will continue to drive demand for natural and healthy beverage products such as fruit and vegetable juices. According to AC Nielsen, China sold 1.3 billion liters of fruit and vegetable juices in the first half of 2008, representing a 14.1% increase compared to the first half of 2007.

According to statistics provided by AC Nielsen, which were prepared based on data relating to sales to end customers, the Group recorded a 3.8% increase on sales volume for the first half of 2008 as compared to the same period in 2007, with a total sales volume of 190 million liters of fruit and vegetable juices in the first half of 2008. The Group’s growth in product sales fell behind the average growth of product sales in the China fruit and vegetable juice market due to its focus on expansion in production facilities and organisation restructuring in the first half of 2008, the benefits of which are yet to be reflected in our operational results.

In terms of market share, Huiyuan continues to rank as the market leader according to the statistics provided by AC Nielsen. The following table shows Huiyuan’s market shares in 100% juice, nectars and juice drinks in China for the first half of 2008 as extracted from AC Nielsen’s report.¹

¹ According to AC Nielsen’s report, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% and below.

	Market Share Value (%)
For the first half of 2008	
100% Juice	43.8
26%–99% Concentration[^]	42.4
25% & Below Concentration[^]	7.6

[^]Huiyuan Juice includes “Huiyuan” and “Quan You”, “Xiqin”, “Kiwi Super Fruit” and “Zhen” series, the sub-brands of Huiyuan.

“Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packages goods manufactures and others in the consumer foods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen’s opinion as to the value of any security or the advisability of investing in the company.”

BUSINESS REVIEW

Overview

As a leading fruit and vegetable juice producer in the PRC, the Group benefited from the continuing growth of domestic per capita disposable income, greater purchasing power, and stronger preference for natural healthy beverages among consumers.

The Group’s performance for the first six months of 2008, however, was impacted by a combination of factors. In the first half of 2008, severe snowstorms and the Sichuan earthquake adversely affected sales in the relevant areas and, due to the early commencement of Chinese New Year in 2008, sales of 100% juice and nectars for consumption during the holidays were brought forward to the last quarter of 2007.

In addition, during the first six months of 2008, Group management focused on the implementation of a number of strategic initiatives to enhance operational efficiency, accountability and performance. These measures had a transitional negative impact on sales and overall performance during the period, but are expected to better position the Group for long-term growth and efficiency. These initiatives include:

- optimization of our sales and distribution network, including the acquisition of sales networks from ten distributors in key markets, and the improvement of our distributor incentive scheme;
- restructuring of the compensation scheme for sales professionals to incorporate a greater performance-based component;
- centralization of sales and order processing functions at the Group’s headquarters to better service distributors, process orders, and monitor nationwide performance and inventory levels;
- implementation of a flatter management structure to enhance responsiveness and accountability;

- re-focused branding and marketing strategy to continue to develop brand awareness and customer recognition nationwide; and
- further expansion of our production capacity which required significant capital investment, but which is consistent with our strategy to operate a larger number of smaller-sized facilities that are strategically located near target end markets allowing for reduced logistics and transportation costs and expanded coverage.

Products

The Group currently produces and supplies approximately 228 kinds of fruit and vegetable juice beverage products in order to satisfy different consumer needs. These beverage products are divided into three categories according to juice concentration, which are 100% juices, nectars and juice drinks, thus offering a diverse selection of flavors, package sizes and types.

During the period under review, the Group continued to promote our new products including the “C’Ta’V’Ta” range of 100% juices, the “Quan You” range of fruit and vegetable nectars, the “Kiwi Super Fruit” range of juice drinks and a range of children’s juice drinks under the “Le Le Yuan” brand name, to meet the different needs of various consumer groups.

Production

The Group also continued to expand its production capacity in the first half of 2008. Seven new factories, located in Dezhou city and Taian city of Shandong province, Jinzhou city of Liaoning province, Nanfeng city of Jiangxi province, Youyu city of Shanxi province, Shulan city of Jilin province and Miyun town of Beijing, commenced production during the period under review. The Group attained a total annual production capacity of 2.56 million tonnes during the first half of 2008, representing a 30% increase from the same period of 2007.

Distribution

In addition to quality products and advanced production facilities, a wide and comprehensive distribution network is also essential to sales. During the period under review, the Group further strengthened its distribution network by encouraging its sales representatives to become distributors of the Group in order to expand its markets to under-developed cities and areas. A total of 647 former sales representatives contracted with Huiyuan as new distributors of the Group in the first half of 2008.

The Group also acquired the sales networks of 10 distributors located in Beijing, Shanghai, Wuhan, Tianjin, Taiyuan, Chongqin, Yichang, Chengdu, and Nanning, which are major cities close to the Group’s production facilities. The directors of the Company believe the acquisitions will enable Huiyuan to further develop its market position and boost sales, as well as improve its position in the end user market in such strategic locations.

Branding and Marketing

With respect to branding, the Group continued to adopt advertising and promotional activities as its major marketing channels so as to enhance consumers' brand awareness and reinforce the brand reputation to increase the consumption of products. To cater for the diversified demand of consumers and to educate them on the daily consumption of juice, the Group carried out promotional activities during the Chinese New Year holiday for its newly launched products. The Group also awarded Beijing 2008 Olympic Games tickets and bearing the related traveling expenses to distributors so as to enhance its exposure to them.

On 15 March 2008, Huiyuan was awarded the "Great Contribution Award for the Food Production Enterprises in China" at the "3.15 Conference of Food Consumption Safety in China". The Conference was held by the Administration of Quality Supervision, Inspection and Quarantine of China and the Food Industry Institution of China. Huiyuan also obtained the "Platinum Award of Credible Brand in Asia" under a market survey conducted by the Readers Digest and received the title of "Most Popular Brand and Enterprise of 2007" at the Second Summit for Brand Marketing of Chinese Enterprises.

Community Activities

Apart from its efforts in brand building, the Group also values its social responsibilities as a corporate citizen. The Group continues to adhere to its corporate mission of contributing to society's well-being while striving to ensure the highest quality of its products. During the period under review, the Group also actively took part in various charity events. In particular, the Group donated approximately RMB6.1 million to Sichuan, Shanxi and Hunan provincial charities where the people were affected by the severe snowstorms and earthquake in January and May 2008, respectively.

PROSPECTS AND DEVELOPMENT STRATEGY

Having implemented an extensive restructuring of the operations of the Group during the first half of 2008, management believes that the Group is well-positioned to take advantage of the tremendous growth prospects of the China juice market. This market will continue to benefit from the robust growth of the PRC economy, which will further enhance its people's living standards, as a result of which the demand for high quality juice products will continue to increase.

As a result of these initiatives, the Group will benefit from an optimized sales and distribution network, a simplified and flatter organizational structure, staff and distributors more systematically incentivized based on performance, a refocused branding and marketing strategy, and an enlarged and strategically located production platform.

Looking forward, the Group will continue to selectively strengthen its marketing and advertising efforts in major cities and through channels of strategic importance, develop new products including, date nectars and drinks and optimise our product mix and improve the utilisation rate of our production facilities.

The Group will also continue to add smaller-sized production facilities to increase our production capacity and enhance our geographic reach. The Group is constructing three new factories, in Pingyi city of Shandong province, Yanbian city of Jilin province and Huizhou city of Guangdong province, which are all expected to commence production in the second half of 2008. The factories in Yanbian and Huizhou are examples of the commitment of the Group to expand its reach and develop its presence in under-tapped markets. A total of six additional PET aseptic cold filling lines are expected to be installed and commence operation in the second half of 2008. The Group's total production capacity is expected to increase to 2.9 million tonnes per annum by the end of 2008.

OPERATING RESULTS

Overview

Turnover of the Group decreased by 5.2% from RMB1,365.2 million for the six months ended 30 June 2007 to RMB1,294.4 million for the same period in 2008. Profit attributable to equity holders increased by 7.2% from RMB342.8 million for the six months ended 30 June 2007 to RMB367.3 million for the same period in 2008.

Sales

Sales of the Group's core juice products, comprising 100% fruit juices, nectars and juice drinks, decreased by 7.3% from RMB1,276.0 million for the six months ended 30 June 2007 to RMB1,182.3 million for the same period in 2008 primarily due to a decrease in sales across 100% fruit juices and nectars, which was partly offset by an increase in sales of juice drinks.

Sales of 100% fruit juices and nectars, which in total accounted for 57.5% of the Group's total sales for the six months ended 30 June 2008, decreased by 12.0% from RMB844.7 million for the six months ended 30 June 2007 to RMB743.7 million for the same period in 2008, primarily due to a decrease in sales volume. The decrease in sales volume of 100% fruit juices and nectars was mainly due to the seasonality of the Group's sales and adverse impact of the severe natural disasters in China in the first half of 2008. To cater for the early commencement of Chinese New Year in 2008, sales of 100% fruit juice and nectars for consumption during the Chinese New Year holidays were brought forward to the last quarter of 2007. The severe snowstorms and earthquake in the first half of 2008 also adversely affected the sales to the relevant areas.

Sales of 100% fruit juices, which accounted for 19.3% of the Group's total sales, decreased by 5.8% from RMB265.2 million for the first six months ended 30 June 2007 to RMB249.7 million for the same period in 2008 primarily due to a 12.4% decrease in sales volume, which was partly offset by a 7.5% increase in average selling price. The decrease in sales volume was mainly a result of the seasonality of the sales for 100% fruit juices and the adverse impact of the severe natural disasters in China in the first half of 2008 as mentioned above. Despite such decreases, the Group's market share in 100% fruit juices continues to rank at the top.

Sales of nectars decreased by 14.8% from RMB579.5 million for the six months ended 30 June 2007 to RMB494.0 million for same period in 2008, primarily due to a decrease in sales volume. Apart from the seasonality and adverse impact of the severe natural disasters in China in the first half of 2008, the decrease in sales volume of nectars was also due to the absence of new products launches in the first half of 2008 as compared to the same period in 2007. The Group normally records higher sales for newly launched products due to increased promotional activities. The average selling prices for nectars remained stable in the first half of 2008. Despite the decrease in the sales, the Group remained a co-leader in the nectar market.

Sales of juice drinks increased by 1.7% from RMB431.3 million for the six months ended 30 June 2007 to RMB438.6 million for the same period in 2008, primarily due to a 11.5% increase in average selling prices, offset by a 8.8% decrease in the sales volume.

The sales of other beverage products increased by 25.7% from RMB89.2 million for the six months ended 30 June 2007 to RMB112.1 million for the first six months ended 30 June 2008 mainly as a result of an increase in the sales of water.

Cost of Sales

Our cost of sales increased by 4.8% from RMB861.9 million for the six months ended 30 June 2007 to RMB902.9 million for the same period in 2008. The increase in cost of sales was primarily due to an increase in cost of raw materials and depreciation charges. The increase in cost of raw materials was primarily a result of the rising cost of domestically purchased juice concentrates and purees. An increase in depreciation charges also contributed to higher cost of sales. This was due to increased production capacity in operations as compared to the same period in 2007, while the production volume had not yet fully ramped up.

Gross Profit

Our gross profit decreased by 22.2% from RMB503.3 million for the six months ended 30 June 2007 to RMB391.5 million for same period in 2008, primarily due to the decrease in sales and increase in costs of sales. Our gross profit margin decreased from 36.9% for the six months ended 30 June 2007 to 30.2% for the same period in 2008.

Other Income

Other income increased significantly by 125.7% from RMB22.6 million for the six months ended 30 June 2007 to RMB51.0 million for the same period in 2008, primarily attributed to (i) RMB19.6 million interest income on the structured and time deposits that were re-designated from general bank deposits, and (ii) a RMB8.9 million increase in income from sales of recyclable containers.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 6.6% from RMB291.5 million for the six months ended 30 June 2007 to RMB272.4 million for the same period in 2008, mainly due to a RMB25.2 million decrease in the advertising and promotional costs. The decrease in advertising and promotional costs is primarily due to (i) the Group's focus on expansion of production capacity rather than advertising and promotional activities; and (ii) the decrease of salaries and benefits for sales and marketing employees. As a result of internal restructuring efforts, the number of sales representatives also decreased from 3,926 to 2,520.

Administrative Expenses

Administrative expenses increased by 41.1% from RMB56.0 million for the six months ended 30 June 2007 to RMB79.0 million for the same period in 2008, primarily as a result of an increase in the number of subsidiaries and branches of the Group and RMB6.8 million in expenses recognised for the share options granted in the first half of 2008.

Finance Income/Cost — Net

The Group recorded finance income of RMB289.4 million for the six months ended 30 June 2008 as compared to a finance cost of RMB17.8 million for the same period in 2007, primarily as a result of (i) a foreign exchange gain of RMB64.9 million for the six months ended 30 June 2008 as compared to a foreign exchange loss of RMB19.9 million for the same period in 2007; (ii) a RMB247.9 million increase in changes in fair value of the convertible bonds; and (iii) a RMB20.2 million decrease in bank loan interest expenses due to the decrease in the bank loans and increase of interest capitalization of RMB6.5 million, which was partially offset by a decrease of RMB41.6 million in interest from bank deposits and money market fund, due to a decrease in bank deposits and the designation of bank deposits to structured deposits of which the relevant interest income was reflected as Other Income of the Group.

Income Tax Expenses

Income tax expenses decreased by 42.5% from RMB24.7 million for the six months ended 30 June 2007 to RMB14.2 million for the same period in 2008, primarily due to the decrease in operating profits.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased by 7.2% from RMB342.8 million for the six months ended 30 June 2007 to RMB367.3 million for the same period in 2008. The margin for profit attributable to our equity holders increased from 25.1% in the first half of 2007 to 28.4% for the first six months ended 30 June 2008.

Liquidity and Capital Resources

Our working capital and other capital requirements were principally funded by operations and cash at hand, short-term and long-term bank borrowings.

As at 30 June 2008, we had an aggregate of RMB809.4 million in outstanding bank loans and RMB687.1 million in outstanding Convertible Bonds as compared to RMB623.9 million of outstanding bank loans and RMB1,308.2 million of outstanding Convertible Bonds as at 30 June 2007. The gearing ratio (total debt (including convertible bonds)/ total equity) of the Group was 30.8% as at 30 June 2008, representing a decrease of 34.0% as compared to 46.7% recorded in the first half of 2007.

Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates and purees, sugars and additives) and finished goods (including juices and other beverage products). Raw materials make up the majority of the Group's inventory. Raw materials turnover days increased from 144 days during the six months ended 30 June 2007 to 223 days during the same period in 2008 as the Group stocked up a substantial amount of raw materials to cater for the expected increase in production needed for the Beijing 2008 Olympic Games and in light of the rising price trend for fruit puree, juice concentrate and PET granules in the PRC market. Turnover days for trade receivables remained stable during the six months ended 30 June 2008 as compared to the same period in 2007. Turnover days for trade payables decreased to 39 days during the six months ended 30 June 2008 from 54 days during the same period in 2007, due to early payments made by the Group with a view of utilising early payment discounts and due to the shorter credit terms offered by suppliers as a result of the tightened credit facilities available to them in the first half of 2008.

Contingent Liabilities

As at 30 June 2008, we did not have any outstanding contingent liabilities.

Off-balance Sheet Transactions

As at 30 June 2008, we had not entered into any off balance sheet transactions.

Pledge of Assets

As at 30 June 2008, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 30 June 2008, we did not have any capital leases.

Foreign Exchange Rate Risk

Our operating activities are mainly conducted in RMB, except for the purchase of certain juice concentrates from Brazil and the United States, and the purchase of certain machine and equipment from overseas sources. As at 30 June 2008, 100% of our borrowings were denominated in US\$. The convertible bonds are also denominated in US\$. Fluctuations in exchange rates may adversely affect the value, translated or converted into RMB, of our net assets, earnings and any dividends we declare.

EMPLOYMENT AND EMOLUMENT POLICIES

As at 30 June 2008, the Group has 7,180 employees (31 December 2007: is 9,722 employees). The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence.

The emoluments payable to directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No Director should determine his or her own remuneration.

In addition to basic salaries, the Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme as an incentive for directors and eligible employees.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend.

FINANCIAL MANAGEMENT AND AUDIT COMMITTEE

The Company has a Financial Management and Audit Committee comprising two independent non-executive directors, Mr. Tsui Yiu Wa, Alec (Chairman) and Mr. Wang Bing, and a non-executive director, Mr. Sun Qiang Chang. The Financial Management and Audit Committee has a written terms of reference in compliance with the Code on Corporate Governance Practice (the "Corporate Governance Code") of the Listing Rules.

The Financial Management and Audit Committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2008 together with the management of the Company and external auditor.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2008 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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

The Company has adopted the Corporate Governance Code as contained in Appendix 14 of the Hong Kong Listing Rules (the “**Corporate Governance Code**”) as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving a high standard of corporate governance practices.

In the six months ended 30 June 2008, the Company continued to apply most of the code provisions (the “**Code Provisions**”) of the Corporate Governance Code. A summary of the deviations from the Code Provisions is set out as below:

Code Provision A2.1

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

At present, the positions of the chairman of the Board and the president (i.e., the chief executive officer) of the Company are held by Mr. Zhu Xinli. Although this deviates from the practice under the Code Provision A2.1, where the two positions should be held by two different individuals, Mr. Zhu has considerable and extensive experience in the juice and beverage industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to continue to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the industry.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (the “**Model Code**”) as the standards for the directors’ dealings in the securities of the Company. Upon receipt of specific enquiry from the Company, all the directors have confirmed that they have complied with the required standards as set out in the Model Code regarding the directors’ dealings in the securities of the Company.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to our staff for their commitment and diligence during the period.

Disclosure of Information on the Stock Exchange's Website

This results announcement will be published on the Stock Exchange's website. The 2008 interim report of the Company containing all information required under the Listing Rules will be dispatched to shareholders of the Company and will be made available on the website of the Stock Exchange.

By order of the Board

Zhu Xinli

Chairman

Beijing, 9 September 2008

Our Directors are Mr. ZHU Xinli, Mr. JIANG Xu and Mr. WU Chungkuan as executive Directors, Mr. QIN Peng and Mr. SUN (Chang) Qiang as non-executive Directors and Mr. WANG Bing, Ms. ZHAO Yali, Mr. TSUI Yiu Wa, Alec and Mr. SONG Quanhou as independent non-executive Directors.