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CHINA HUIYUAN JUICE GROUP LIMITED

中國匯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 2009

HIGHLIGHTS

Key financial figures

	For the six months ended 30 June		
	2009	2008	Change (%)
	RMB'000	RMB'000	
Sales	879,691	1,294,440	-32.0%
Gross profit	220,663	407,121	-45.8%
Profit for the period [#]	66,744	367,341	-81.8%

- For the six months ended 30 June 2009, Huiyuan was affected by the uncertainties arising from the Proposed Coca-Cola Takeover Offer and the temporary negative impact on the sales due to the implementation of certain restructuring and strategic initiatives. As a result, its profitability in terms of profit attributable to equity holders declined to RMB66.7 million, a decrease of 81.8% compared to the same period of last year.
- According to Nielsen, Huiyuan accounted for 45.4% and 49.3% market share by sales volume in 100% juice and nectars for the first half of 2009 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”) for the six months ended 30 June 2009, along with the comparative figures for the corresponding period of last year as follows:

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	<i>Note</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Revenue	5	879,691	1,294,440
Cost of sales	7	<u>(659,028)</u>	<u>(887,319)</u>
Gross profit		220,663	407,121
Other income — net	6	1,406	35,440
Other gains		106	971
Selling and marketing expenses	7	(319,781)	(272,356)
Administrative expenses	7	(152,556)	(79,036)
Finance income — net	8	<u>332,386</u>	<u>289,389</u>
Profit before income tax		82,224	381,529
Income tax expense	9	<u>(15,480)</u>	<u>(14,188)</u>
Profit for the period		<u>66,744</u>	<u>367,341</u>
Total comprehensive income for the period		<u>66,744</u>	<u>367,341</u>
Profit attributable to equity holders of the Company		<u>66,744</u>	<u>367,341</u>
Total comprehensive income attributable to equity holders of the Company		<u>66,744</u>	<u>367,341</u>
		<i>RMB Cents per share</i>	<i>RMB Cents per share</i>
(Losses)/earnings per share for profit attributable to the equity holders of the Company	<i>10</i>		
— basic		4.5	25.0
— diluted		<u>(16.9)</u>	<u>7.0</u>
Dividends	<i>11</i>	<u>—</u>	<u>—</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,253,674	3,102,455
Intangible assets		467,591	317,262
Land use rights		426,072	429,080
Long-term prepayment		—	148,583
Deferred income tax assets		23,365	31,070
Long-term receivable		11,860	—
Total non-current assets		<u>4,182,562</u>	<u>4,028,450</u>
Current assets			
Inventories		853,273	760,560
Trade and other receivables	12	516,311	643,666
Derivative financial instruments		—	882
Other loans and receivables		60,000	356,786
Restricted cash		37,051	94,355
Cash and cash equivalents		968,085	1,306,621
Total current assets		<u>2,434,720</u>	<u>3,162,870</u>
Total assets		<u><u>6,617,282</u></u>	<u><u>7,191,320</u></u>
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		144,175	139,298
Retained earnings			
— Proposed dividend		—	22,235
— Others		776,095	709,351
Total equity		<u>4,637,366</u>	<u>4,587,980</u>

		Unaudited	Audited
		30 June 2009	31 December 2008
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		—	478,266
Deferred government grants		64,298	65,009
Long-term payable for land use rights		7,811	7,751
Long-term payable for license fee		2,730	4,095
Convertible bonds	<i>14</i>	714,128	—
		<hr/>	<hr/>
Total non-current liabilities		788,967	555,121
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>13</i>	499,505	472,313
Taxation payable		7,430	27,305
Deferred revenue		30,448	18,970
Convertible bonds	<i>14</i>	—	1,069,396
Borrowings		653,566	460,235
		<hr/>	<hr/>
Total current liabilities		1,190,949	2,048,219
		<hr/>	<hr/>
Total liabilities		1,979,916	2,603,340
		<hr/>	<hr/>
Total equity and liabilities		6,617,282	7,191,320
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		1,243,771	1,114,651
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		5,426,333	5,143,101
		<hr/> <hr/>	<hr/> <hr/>

SELECTED NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2009

(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” or “China”).

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

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

This unaudited condensed consolidated interim financial information was authorised for issue by the Board of Directors of the Company on 15 September 2009.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with IFRS.

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 2008, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, ‘Operating segments’. IFRS 8 replaces IAS 14, ‘segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors that make strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. The management has adopted the amendment accordingly.

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- IAS 23 (amendment), 'Borrowing costs'. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. There is no significant impact on the Group for the period.
- IFRS 2 (amendment), 'share-based payment'. The amendment clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There is no significant impact on the Group for the period.
- IFRIC 13, 'Customer loyalty programmes'. It is not expected to have an impact on the Group's condensed consolidated interim statement of comprehensive income as the Group's current accounting policy is in line with IFRIC 13.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2009, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30 June 2009.

4. SEGMENT REPORTING

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.

Management considers there is no business segment information of the Group to be 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	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Juice	811,843	1,182,350
Other beverages	67,848	112,090
	<u>879,691</u>	<u>1,294,440</u>

6. OTHER INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Subsidy income	4,417	3,310
Net income from sales of materials and scrap	3,075	8,691
Net gain from processing beverages for third party	1,709	4,726
Amortisation of deferred government grants	1,438	1,878
Interest income from other loans and receivables	559	19,576
Donation to China Charity Federation and China Red Cross	—	(6,066)
(Loss)/gain on disposals of property, plant and equipment	(10,041)	694
Others	249	2,631
	<u>1,406</u>	<u>35,440</u>

7. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials used and changes in inventories	488,148	711,305
Advertising and other marketing expenses	255,776	196,090
Depreciation of property, plant and equipment	101,782	83,893
Employee benefit expense	71,444	75,590
Water and electricity	56,579	55,093
Transportation and related charges	43,979	51,408
Impairment loss of inventories	24,872	4,120
Impairment loss for trade and other receivables	15,443	—
Repairs and maintenance	15,212	19,554
Land use tax	6,955	4,809
Office and communication expenses	6,299	7,845
Travel expenses	5,033	6,562
Amortization of land use rights	4,056	3,556
Amortization of intangible assets	3,525	3,548
Rental expenses	2,747	2,960
Other expenses	29,515	12,378
	<u>1,131,365</u>	<u>1,238,711</u>

Total cost of sales, selling and marketing expenses and administrative expenses

8. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest income		
— from bank deposits (excluding time deposit)	5,808	5,240
Interest expenses:		
— Bank borrowings	(10,842)	(14,130)
— Interest expense relating to Convertible Bonds (note 14)	(29,410)	(27,174)
Less: Interest capitalised	4,459	6,548
	(35,793)	(34,756)
Exchange (loss)/gain (excluding Convertible Bonds)	(319)	34,171
Exchange gain on liability component of Convertible Bonds (note 14)	204	30,774
Fair value changes of conversion right of Convertible Bonds (note 14)	362,486	253,960
	332,386	289,389
Weighted average effective interest rate used to calculate capitalisation amount	1.99%	5.05%

9. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	7,775	13,094
Deferred income tax charge	7,705	1,094
	15,480	14,188

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	
	2009	2008
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	66,744	367,341
Weighted average number of ordinary shares in issue (thousands)	1,468,816	1,468,816
Basic earnings per share (RMB cents)	4.5	25.0

(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	
	2009	2008
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	66,744	367,341
Add: Interest expense relating to Convertible Bonds (note 14)	29,410	27,174
Less: Unrealised exchange gain relating to Convertible Bonds (note 14)	(204)	(30,774)
Less: Fair value changes of conversion right of Convertible Bonds (note 14)	(362,486)	(253,960)
	<u>(266,536)</u>	<u>109,781</u>
(Loss)/profit attributable to equity holders of the Company, used to determine diluted earnings per share		
Weighted average number of ordinary shares in issue (thousands)	1,468,816	1,468,816
Adjustment for Convertible Bonds (thousands)	107,911	110,408
Adjustment for share options (thousands)*	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>1,576,727</u>	<u>1,579,224</u>
Diluted (losses)/earnings per share (RMB cents)	<u>(16.9)</u>	<u>7.0</u>

* *Share options are antidilutive and have therefore been excluded from the calculation of diluted (losses)/earnings per share.*

11. DIVIDENDS

The dividends for the year ended 31 December 2008 amounting to RMB22,235,000 were paid in May 2009 (corresponding period in 2008: RMB158,849,000). The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (corresponding period in 2008: nil).

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Trade receivables (a)	185,848	150,794
Other receivables	21,197	57,347
Prepayments for raw materials	315,487	323,313
Bills receivable	9,588	121,137
	<u>532,120</u>	<u>652,591</u>
Less: provision for impairment of receivables	<u>(15,809)</u>	<u>(8,925)</u>
	<u><u>516,311</u></u>	<u><u>643,666</u></u>

- (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 2009, except for those balances to be collected according to an agreed schedule, there is no trade receivable past due but not impaired. Trade receivables of RMB15,809,000 (31 December 2008: RMB8,925,000) were past due and fully provided against. The individually impaired receivables mainly relate to certain customers which are in unexpected difficult economic situations.

As at 30 June 2009 and 31 December 2008, the ageing analysis of the trade receivables are as follows:

— Third parties

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within 3 months	125,676	96,862
Between 4 and 6 months	36,140	11,023
Between 7 and 12 months	20,175	23,066
Between 1 and 2 years	2,092	18,476
	<u>184,083</u>	<u>149,427</u>

— Related parties

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within 3 months	392	1,367
Between 4 and 6 months	1,373	—
	<u>1,765</u>	<u>1,367</u>

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2009 <i>RMB'000</i>	Audited 31 December 2008 <i>RMB'000</i>
Trade payables (a)	145,627	152,691
Other payables	353,878	319,622
	499,505	472,313

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

— Third parties

	Unaudited 30 June 2009 <i>RMB'000</i>	Audited 31 December 2008 <i>RMB'000</i>
Within 3 months	131,185	138,743
Between 4 and 6 months	5,900	3,999
Between 7 and 12 months	4,290	2,312
Over 1 year	4,252	3,643
	145,627	148,697

— Related parties

	Unaudited 30 June 2009	Audited 31 December 2008
Within 3 months	—	3,438
Between 4 and 6 months	—	357
Between 7 and 12 months	—	199
	—	3,994

14. CONVERTIBLE BONDS

	Unaudited 30 June 2009 <i>RMB'000</i>	Audited 31 December 2008 <i>RMB'000</i>
Convertible bonds due 2011, liability components	524,300	517,082
Fair value of embedded derivatives	189,828	552,314
	714,128	1,069,396

On 5 February 2007, the Company, China HuiYuan Juice Holdings Co., Ltd., the then holding company of the Company, and the holders of convertible bonds issued by China HuiYuan 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 the same as those described in the annual financial statements for the year ended 31 December 2008.

As the optional redemption right had lapsed as at 30 June 2009, the Convertible Bonds had been reclassified from current liabilities to non-current liabilities.

As at 28 December 2007 and 27 June 2008, convertible bonds issued upon exercise of the PIK option of the Convertible Bonds (the “PIK Bonds”) had face values of US\$830,000 and US\$821,000 respectively. The holder of above bonds exercised their redemption right to redeem PIK Bonds with face value of US\$2,326,000 in June 2009.

As at 31 December 2007, bonds with a face value US\$14,000,000 have been converted into ordinary shares of the Company at the price of HK\$5.1 per share during the period from August to October 2007. Accordingly, ordinary shares of the Company increased by 21,318,607 shares as at 31 December 2007. There was no conversion of bonds during 2008 and the six months ended 30 June 2009.

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 cashflow model. The fair value of the conversion rights, together with redemption rights and interest settlement option (considered as a single derivative) (the “conversion right”) was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the conversion right.

	RMB'000
Fair value of conversion right as at 31 December 2008	552,314
Less: Fair value of conversion right as at 30 June 2009	<u>(189,828)</u>
Fair value changes of conversion right included in finance income (note 8)	<u><u>362,486</u></u>

The fair value changes in the conversion right for the six months ended 30 June 2009 is RMB362,486,000 (corresponding period in 2008: RMB253,960,000), which is recognised in the condensed consolidated interim statement of comprehensive income and disclosed separately. The related interest expense of the liability component of the Convertible Bonds for the six months ended 30 June 2009 amounted to RMB29,410,000 (corresponding period in 2008: RMB27,174,000), which is calculated using the effective interest method with an effective interest rate of 11.38%.

	RMB'000
Liability component as at 31 December 2008	517,082
Add: Interest expense for the period (note 8)	29,410
Less: Interest payment during the period	(6,097)
Payment for redemption of PIK Bonds	(15,891)
Unrealised exchange gain (note 8)	<u>(204)</u>
Liability component as at 30 June 2009	<u><u>524,300</u></u>

15. SUBSEQUENT EVENTS

- (a) On 27 July 2009, Shandong Xinming Food & Beverage Co., Ltd., a wholly-owned subsidiary of the Company entered into an assets transfer agreement with Shandong Zibo Huiyuan Food & Beverage Co., Ltd. to purchase the assets relating to the sales and production of milk beverage for a cash consideration of RMB131,333,000.
- (b) On 27 July 2009, Huiyuan Beijing Holdings Limited, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with Beijing Huiyuan Beverage & Food Group Co., Ltd. to sell the entire equity interest in Tai An Huiyuan Food & Beverage Co., Ltd. for a cash consideration of RMB157,537,000.

MARKET REVIEW

Review of the China Juice Beverage Market

The juice beverage market in China continued to grow steadily during the first half of 2009. The increase in urban population and disposable income continue to drive demand for natural and healthy beverage products such as fruit and vegetable juices. According to Nielsen, China recorded sales of 1.48 billion liters of fruit and vegetable juices in the first half of 2009, representing a 12.2% increase compared with the first half of 2008.

However, according to statistics provided by Nielsen, which were compiled based on data on sales with end customers, the Group recorded a 8.8% decrease in sales volume for the first half of 2009 as compared with the same period in 2008, amounting to 178.52 million liters of fruit and vegetable juices in the first half of 2009. The Group's product sales was affected by the uncertainties arising from the conditional offers made by the Coca-Cola Company to take over and privatize the Company (the "**Proposed Coca-Cola Takeover Offer**") and the implementation of certain restructuring and strategic initiatives of the Group, the economic benefits of which are yet to be realised and reflected in the Group's operational results. Consequently, the Group's growth in product sales fell behind the average growth in product sales in the China fruit and vegetable juice market. To ensure Huiyuan restores its product sales growth, we have implemented a series of measures that are expected to stimulate our product sales growth in the second half of 2009 and beyond. Please see the section "Prospects and Development Strategy" for more details.

In terms of market share, Huiyuan remains the market leader according to the statistics provided by Nielsen. The following table shows Huiyuan’s market share in each of 100% juice, nectars and juice drinks in China for the first half of 2009 according to the Nielsen’s report.

For the first half year of 2009	Market Share %	
	By Volume	By Value
100% Juice		
Huiyuan Juice	45.4	43.6
Second ranked competitor	9.5	12.9
Third ranked competitor	5.4	6.7
Fourth ranked competitor	3.9	4.7
Fifth ranked competitor	3.6	3.1
Sixth ranked competitor	3.2	4.4
Next two competitors	1.4	1.6
26–99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	49.3	45.0
Second ranked competitor	30.9	30.0
Third ranked competitor	2.9	1.9
Fourth ranked competitor	1.6	2.1
Fifth ranked competitor	0.8	1.5
Sixth ranked competitor	0.8	2.0
Next two competitors	0.7	1.3
25% & Below Concentration		
First ranked competitor	32.5	33.8
Second ranked competitor	20.2	17.4
Third ranked competitor	17.0	14.4
Fourth ranked competitor	8.1	9.9
Huiyuan juice (Note 3)	5.4	4.3
Sixth ranked competitor	4.9	5.3
Next two competitors	<u>3.6</u>	<u>6.2</u>

Note:

- (1) According to Nielsen, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% or below.
- (2) Huiyuan Juice includes “Huiyuan”, “Quan You” and “Guo Xianmei”, the sub-brands of Huiyuan Juice.
- (3) Huiyuan Juice includes “Huiyuan”, “Zhen Series” and “Kiwi Super Fruits”, the sub-brands of Huiyuan Juice.

“Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packages goods 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 China, the Group continues to benefit from the continuing growth in per capita disposable income, consumers' increasing purchasing power, and growing demand for natural, healthy beverages among Chinese consumers. Our Huiyuan brand continues to maintain strong recognition across the Chinese markets. The Group also continued to maintain a strong position in its product development and rollout capabilities and has established a proven system of large scale production and quality control, as well as an effective nationwide sales and distribution network supported by extensive production facilities in key markets.

The Group's performance for the first half of 2009, however, was affected by uncertainties arising from the Proposed Coca-Cola Takeover Offer. In addition, during the period under review, the management focused on implementing a number of restructuring and strategic initiatives to enhance operation efficiency, accountability and performance of the Group's sales and distribution network. These measures had a temporary negative impact on the sales and overall performance during the period under review, but are expected to enhance the Group's long-term growth and efficiency. These initiatives include:

- Establishing approximately 500 sales offices across the country in order to gain further access to and control of our points of sales;
- Restructuring sale representatives' remuneration and implementing further incentives and supportive policies for sales representatives, with key focus on sales at our points of sales and improving service quality;
- Launching the "Mobile-Visit-System (MVS)", a sales information collection and management automation system, in the Group's nation-wide sales and distribution network;
- Strengthening training programs for sales representatives; and
- Further investment in the Group's product marketing campaigns.

Products

The Group currently produces and supplies approximately 230 kinds of fruit and vegetable juice beverage products to cater for different consumer needs. These products are divided into three categories according to juice concentration; 100% juices, nectars and juice drinks. They offer a diverse selection of flavors, package sizes and types.

During the period under review, the Group launched a number of new juice drinks, including "Lemon me" and " Super Berry Fruit", to further expand the range of juice drinks products.

Production

In the past few years, the Company has established an extensive network of large scale production plants throughout China. As at June 30, 2009, the Group has accumulated a total annual production capacity of 2.9 million tonnes. The Company believes that with this first mover advantage, it is well positioned to capture the expected strong demand for juice and beverage drinks in China in the future.

Distribution

In addition to quality products and advanced production facilities, a wide and comprehensive distribution network is also essential for increasing sales volume. During the period under review, the Group further strengthened its distribution network and management of its sales representatives by launching the MVS in its nation-wide sales network. The introduction of the MVS will enable the Group to develop an efficient and effective communication platform among its sales representatives to increase the overall quality of on-site marketing activities and customer coverage for the Group. As at 30 June 2009, the Group had approximately 6,600 sales representatives in 500 sales offices and 2,200 distributors, serving over 1.1 million points of sales.

During the period under review, the Group completed the acquisition of the sales network of nine distributors located in Beijing, Shanghai, Wuhan, Tianjin, Taiyuan, Chongqing, Chengdu, and Jilin. The Directors believe that the completion of the acquisition will enable the Group to strengthen its market position and increase sales in these strategic locations.

Branding and Marketing

With respect to branding, the Group continued to use advertising and promotional activities as the major marketing channel to enhance consumers' brand awareness to reinforce the Huiyuan brand.

Community Activities

The Group strongly values its corporate social responsibilities. The Group continues to adhere to its corporate mission of maintaining society's well-being while striving to supply products of the highest quality. During the period under review, the Group also actively took part in various charity events.

PROSPECTS AND DEVELOPMENT STRATEGY

The Group's performance for the first half of 2009 was affected by uncertainties arising from the Proposed Coca-Cola Takeover Offer and the implementation of certain restructuring and strategic initiatives. Nonetheless, the Directors believe that such restructuring and strategic initiatives have established a solid foundation for the Group's long-term growth and its economic benefits will gradually emerge. Among such initiatives, the introduction of the MVS will enable the Group to develop an efficient and effective communication platform among its sales representatives to

increase the overall quality of on-site marketing activities and customer feedback for the Group. In the PRC fruit beverage market which features both rapid growth potential and fierce competition, the Group will further enhance the Huiyuan brand and optimize its sales and distribution network in order to strengthen its market leading position in 100% juice and nectars markets. The Group's monthly sales has been increasing since June 30, 2009 and the Directors are confident that the Group will achieve sales growth the second half of 2009.

Looking forward, the Group will continue to seek growth through the following strategies:

- continue to restructure and enhance the Group's sales and distribution network and further strengthen its control over target retail markets;
- continue to leverage on the Group's advantage in accessing to stable supply of high quality raw materials; and
- improve the utilization rate of the Group's production capacity in order to leverage on its proven system of large scale manufacturing and quality control.

OPERATING RESULTS

Overview

Turnover of the Group decreased by 32.0% from RMB1,294.4 million for the six months ended 30 June 2008 to RMB879.7 million for the same period in 2009. Profit attributable to equity holders decreased by 81.8% from RMB367.3 million for the six months ended 30 June 2008 to RMB66.7 million for the same period in 2009.

Sales

Sales of the Group's core juice products, comprising 100% fruit juices, nectars and juice drinks, decreased by 31.3% from RMB1,182.3 million for the six months ended 30 June 2008 to RMB811.8 million for the same period in 2009 primarily due to a decrease in sales of all of the Group's core juice products.

Sales of 100% fruit juices, which accounted for 20.3% of the Group's total sales, decreased by 28.5% from RMB249.7 million for the first six months ended 30 June 2008 to RMB178.5 million for the same period in 2009. The decrease was mainly due to a 33.5% decrease in sales volume, which was partially offset by a 7.5% increase in average selling price. Despite the decrease in sales volume, the Group's market share in 100% fruit juices continues to maintain its leading position in 100% juice in China.

Sales of nectars, which accounted for 41.5% of the Group's total sales, decreased by 26.0% from RMB494.0 million for the six months ended 30 June 2008 to RMB365.5 million for the same period in 2009, primarily due to a 21.5% decrease in sales volume. Despite the decrease in sales volume, the Group has maintained its leading position in China with a 49.3% market share by sales volume for the first half of 2009.

Sales of juice drinks, which accounted for 30.4% of the Group's total sales, decreased by 38.9% from RMB438.6 million for the six months ended 30 June 2008 to RMB267.8 million for the same period in 2009, primarily due to a 27.9% decrease in the sales volume and a 15.3% decrease in the average selling price.

Sales of other beverage products decreased by 39.5% from RMB112.1 million for the six months ended 30 June 2008 to RMB67.8 million for the same period in 2009, primarily due to a decrease in the sales of bottled water and tea.

Cost of Sales

Cost of sales decreased by 25.7% from RMB887.3 million for the six months ended 30 June 2008 to RMB659.0 million for the same period in 2009. The decrease in cost of sales was primarily due to the decrease in sales, which was partially offset by certain fixed production costs such as depreciation cost.

Gross Profit

Gross profit decreased by 45.8% from RMB407.1 million for the six months ended 30 June 2008 to RMB220.7 million for same period in 2009. Gross profit margin decreased from 31.5% for the six months ended 30 June 2008 to 25.1% for the same period in 2009.

Other Income

Other income decreased by 96.0% from RMB35.4 million for the six months ended 30 June 2008 to RMB1.4 million for the same period in 2009, primarily due to (i) the decrease in interest income on structured and time deposits, which amounted to RMB19.0 million; and (ii) the loss of RMB10.0 million incurred by disposal of certain obsolete production equipments for the six months ended 30 June 2009.

Selling and Marketing Expenses

Selling and marketing expenses increased by 17.4% from RMB272.4 million for the six months ended 30 June 2008 to RMB319.8 million for the same period in 2009, mainly due to a RMB59.7 million increase in marketing expenses, which was primarily as a result of (i) the purchase of vehicles, refrigerators and marketing consumables to reward distributors for their sales performance in the Spring Festival season of 2009; and (ii) payments by cash or in kind for distributions as incentives to enhance the relationship between the Group and the distributors which were affected by the uncertainties associated with the Proposed Coca-Cola Takeover Offer.

Administrative Expenses

Administrative expenses increased by 93.2% from RMB79.0 million for the six months ended 30 June 2008 to RMB152.6 million for the same period in 2009. The increase in administrative expenses was primarily due to (i) an increase in provision for impairment of certain raw materials and finished goods and receivables mainly as a result of the decrease in sales; (ii) an increase in depreciation of certain idled production equipments as a result of the decrease in production volume; (iii) the professional fees paid for the Proposed Coca-Cola Takeover Offer; and (iv) the administrative expenses incurred by certain new plants established in the second half of 2008 and first half of 2009.

Finance Income

Finance income increased by 14.9% from RMB289.4 million for the six months ended 30 June 2008 to RMB332.4 million for the same period in 2009, primarily due to a RMB108.5 million increase in fair value change in conversion right of the Convertible Bonds, partially offset by a RMB0.1 million foreign exchange loss for the six months ended 30 June 2009 as compared to a RMB64.9 million foreign exchange gain for the same period in 2008.

Income Tax Expenses

Income tax expenses increased by 9.2% from RMB14.2 million for the six months ended 30 June 2008 to RMB15.5 million for the same period in 2009, primarily due to a RMB7.5 million deferred tax asset which had been recognized for unutilized tax loss in previous years and which was written off in the first half of 2009.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Group recorded RMB250.2 million in operating loss for the six months ended 30 June 2009 as compared with a RMB92.1 operating profit for the same period in 2008 and the profit attributable to equity holders of the Company decreased by 81.8% from RMB367.3 million for the six months ended 30 June 2008 to RMB66.7 million for the same period in 2009. The margin for profit attributable to our equity holders decreased from 28.4% for the six months ended 30 June 2008 to 7.6% for the same period in 2009.

Liquidity and Financial Resources

The Group's 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 2009, we had an aggregate of RMB653.6 million in outstanding bank loans and RMB714.1 million in outstanding Convertible Bonds as compared to RMB809.4 million of outstanding bank loans and RMB687.1 million of outstanding Convertible Bonds as at 30 June 2008. The gearing ratio (total debt (including convertible bonds)/total equity) of the Group was 29.5% as at 30 June 2009, representing a decrease of 4.2% as compared with 30.8% as at 30 June 2008.

The Group's indebtedness include bank loans and the Convertible Bonds. As at 30 June 2009, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank loans	653.6	—	653.6
Convertible Bonds	—	714.1	714.1
Total	653.6	714.1	1,367.7
Analysed as:			
Secured	—	—	—
Unsecured	653.6	714.4	1,367.7

Bank loans include a US\$70 million loan. In accordance with the terms of the loan agreement, the US\$70 million loan can be repayable in the next 12 months. In any case management has been reviewing the Group's liquidity needs and is considering to repay the US\$70 million loan within 12 months.

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 others) and finished products (including juices and other beverage products). Raw materials make up the majority of the Group's inventory. Raw materials turnover days increased from 228 days during the six months ended 30 June 2008 to 273 days during the same period in 2009. The increase in raw materials turnover days was due to a decrease in production volume, which led to a higher storage of raw materials as at 30 June 2009. Turnover days for trade receivables decreased from 50 days during the six months ended 2008 to 37 days during the same period in 2009. Turnover days for trade payables remained stable during the six months ended 30 June 2009 as compared to the same period in 2008.

Contingent Liabilities

As at 30 June 2009, we did not have any significant outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2009, we had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 30 June 2009, none of our property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 30 June 2009, we did not have any capital leases.

Foreign Exchange Rate Risk

The Group's operating activities are mainly conducted in Renminbi, except for the purchase of certain juice concentrates from Brazil and the United States, and the purchase of certain machine and equipment from overseas. As at 30 June 2009, 96.9% of the Group's bank loans were denominated in US dollars. The Convertible Bonds are also denominated in US dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into Renminbi, of the Group's net assets, earnings and any dividends the Company declares.

EMPLOYMENT AND EMOLUMENT POLICIES

As at 30 June 2009, the Group had 8,520 employees (31 December 2008: 4,935 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 Share Option Schemes 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 Financial Management and Audit Committee of the Company was established on 21 September 2006 with written terms of reference in compliance with the Code on Corporate Governance Practice (the "Corporate Governance Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"). Currently there are three members of the committee, namely Mr. Tsui Yiu Wa, Alec (Chairman), Mr. Wang Bing and Mr. Song Quanhou, who are all independent non-executive directors of the Company.

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 2009 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 2009 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 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 2009, 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 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 2009, 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. Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

ACKNOWLEDGEMENT

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

By order of the Board
Zhu Xinli
Chairman

Beijing, 15 September 2009

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