汇源

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

2010
Interim Report





* For identification purpose only

About Us

China Huiyuan Juice Group Limited (the "Company", together with its subsidiaries as the "Group" or "Huiyuan Juice"), a leading manufacturer of fruit and vegetable juice in China, is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. As at the date of this report, the Group has 40 subsidiaries with 13,595 employees. Juice products of Huiyuan Juice are categorized into 100% juice, nectars and juice drinks by concentration. According to the research on retailing sector conducted by Nielsen in the first half of 2010, the Group's 100% juice and nectars continue to rank as the market leader with market shares of 56.4% and 46.4%, respectively, in terms of sales volume. Most of the products of the Group are sold under the brand of "Huiyuan". The Group believes that "Huiyuan" is one of the most familiar and recognized fruit and vegetable juice brands among Chinese consumers.

Contents

Corporate Information

Board of Directors

Executive Directors
Mr. ZHU Xinli *(Chairman)*
Mr. JIANG Xu
Mr. Lee Wen-chieh

Non-executive Director
Mr. Andrew Y. Yan

Independent Non-executive Directors
Mr. WANG Bing
Ms. ZHAO Yali
Mr. Qi Daqing
Mr. SONG Quanhou

Company Secretary
Mr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, ACCA)*

Authorized Representatives
Mr. ZHU Xinli
1# Huiyuan Villa
Beixiaoying Town, Shunyi District, Beijing, PRC

Mr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, ACCA)*
26A Wah Shan Mansion,
17 Tai Koo Shing Road, Quarry Bay, Hong Kong

Financial Management and Audit Committee
Mr. Qi Daqing *(Chairman)*
Mr. WANG Bing
Mr. SONG Quanhou

Remuneration and Nomination Committee
Mr. Andrew Y. Yan *(Chairman)*
Mr. Qi Daqing
Mr. WANG Bing

Registered Office
Scotia Centre
4th Floor
P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

Head Office
Huiyuan Road, Beixiaoying Town, Shunyi District
Beijing, PRC

Registered Address in Hong Kong
Edinburgh Tower, 33/F, The Landmark
15 Queen's Road Central
Hong Kong

Company Website
www.huiyuan.com.cn

Principal Share Registrar and Transfer Office
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

Listing Exchange Information
Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 1886
Board lot: 500 shares

Principal Bankers
ABN AMRO Bank
Bank of Communications
Bank of China
Standard Chartered Bank

Financial Highlights

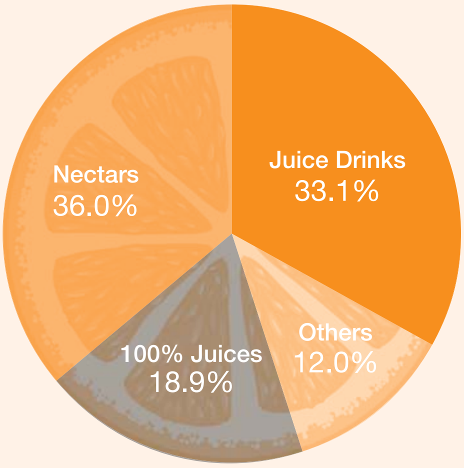
Comparison of the unaudited consolidated results for the first half of 2010 and the first half of 2009

	For the 6 months ended 30 June (RMB million)		
	2010	**2009**	**Change %**
Revenue	**1,481.1**	879.7	68.4%
Cost of sales	**936.6**	659.0	42.1%
Gross profit	**544.5**	220.7	146.8%
Fair value change in the conversion right of Convertible Bonds	**27.4**	362.5	-92.4%
(Loss)/profit attributable to equity holders	**(72.2)**	66.7	-208.2%
Adjusted loss attributable to equity holders (Note 1)	**(69.2)**	(261.7)	-73.5%
EBITDA	**39.0**	-140.8	127.7%
(Losses)/earnings per share (RMB) (Note 2)			
— basic	**(0.049)**	0.045	-208.9%
— diluted	**(0.049)**	(0.169)	-71.0%

Note1 : The adjusted loss attributable to equity holders excludes interest expense on the Convertible Bonds (as defined below), change in fair value of conversion rights of the Convertible Bonds, exchange gain relating to the Convertible Bonds and amortization of employee share option scheme.

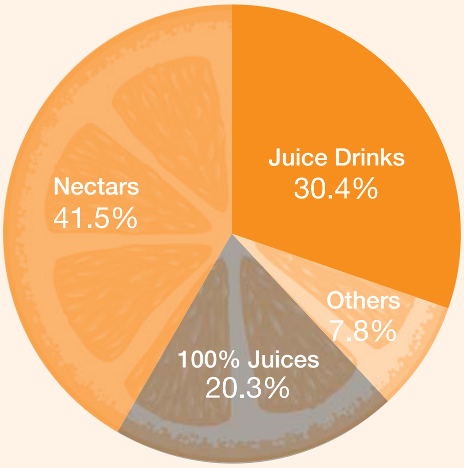
Note2 : Please refer to Note 24 to the Condensed Consolidated Interim Financial Information for the calculation of earnings per share.

Sales by product



2010

For the 6 months ended 30 June



2009

For the 6 months ended 30 June

Financial Highlights (Continued)

Financial ratios (based on the unaudited consolidated results for the first half of 2010 and the first half of 2009)

	For the 6 months ended 30 June		
	2010	2009	Change
Return on equity	**-1.5%**	1.4%	-207.1%
Return on assets	**-0.8%**	1.0%	-180.0%
Gearing ratio (total debt/total equity) (Note 1)	**70.3%**	29.5%	138.3%

Operating ratios (Note 2)

	As at 30 June 2010	As at 30 June 2009	Change
Turnover of finished goods	**40 days**	35 days	5 days
Turnover of raw materials	**160 days**	214 days	-54 days
Turnover of trade receivables	**32 days**	37 days	-5 days
Turnover of trade payables	**84 days**	40 days	44 days

Note 1: The total debt includes total borrowings of RMB2,599.1 million as at 30 June 2010 (as at 30 June 2009: RMB653.6 million) and convertible bonds of RMB692.9 million as at 30 June 2010 (as at 30 June 2009: RMB714.1 million).

Note 2: The turnover of finished goods as at 30 June 2010 is calculated as the balance of finished goods as at 30 June 2010 divided by cost of sales for the six months ended 30 June 2010 multiplied by 182.5 days (365 divided by 2).

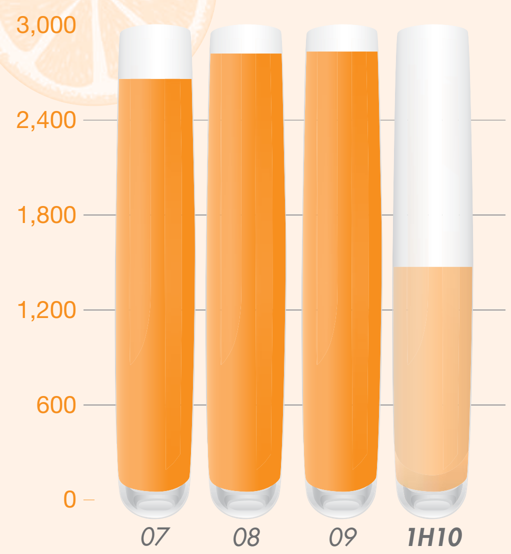
The turnover of raw materials as at 30 June 2010 is calculated as the balance of raw materials as at 30 June 2010 divided by raw materials used for the six months ended 30 June 2010 multiplied by 182.5 days (365 divided by 2).

The turnover of trade receivables as at 30 June 2010 is calculated as the total balance of trade receivables and bills receivable as at 30 June 2010 divided by sales for the six months ended 30 June 2010 multiplied by 182.5 days (365 divided by 2).

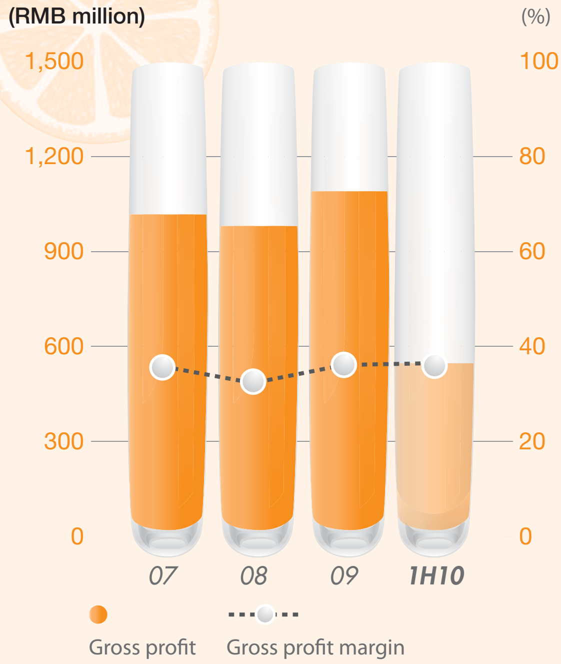
The turnover of trade payables as at 30 June 2010 is calculated as the total balance of trade payables and bills payable as at 30 June 2010 divided by cost of sales for the six months ended 30 June 2010 multiplied by 182.5 days (365 divided by 2).

Financial Highlights (Continued)

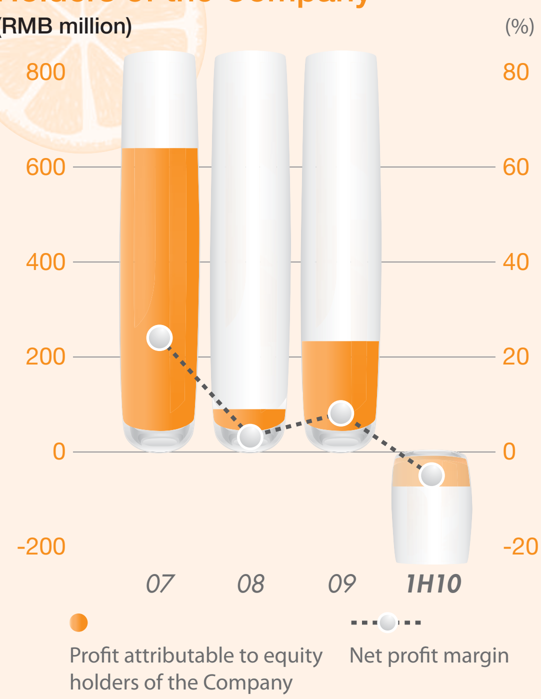
Sales
(RMB million)



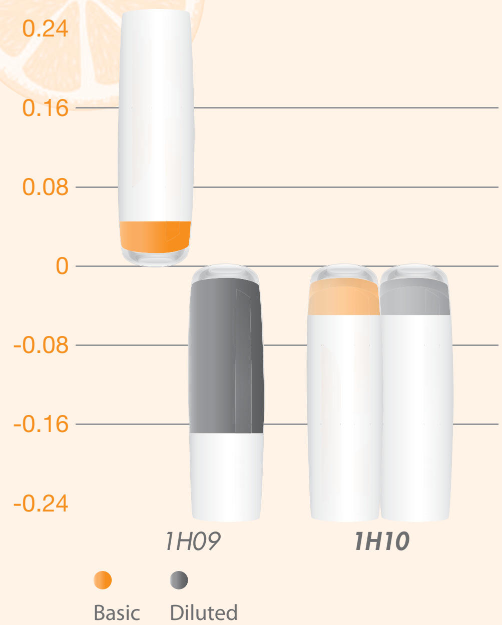
Gross profit
(RMB million)



Profit Attributable to Equity Holders of the Company
(RMB million)



Earnings per Share
(RMB Yuan)



Management Discussion and Analysis

Market Review

Review of the China juice beverage market

The juice beverage market in China has grown steadily during the first half of 2010. 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, sales of fruit and vegetable juices in China reached 1.57 billion liters in the first half of 2010, representing a 6.5% increase compared to the first half of 2009.

According to the statistics provided by Nielsen, which were based on sales with end customers, the sales volume of the Group for the first half of 2010 was 9.5% higher than in as the same period of 2009, reaching 195.4 million liters of fruit and vegetable juices. Such increase emanated from the strategic initiatives implemented by the Group in 2009 and the first half of 2010.

According to Nielsen's statistics, Huiyuan remains the market leader in terms of market share. The following table (as extracted from Nielsen's report) shows Huiyuan's market share in each of 100% juice, nectars and juice drink in China in the first half of 2010.

Management Discussion and Analysis (Continued)

For the first half year of 2010	Market Share % By Volume	Market Share % By Value
100% Juice		
Huiyuan Juice	56.4	49.7
Second ranked competitor	11.6	14.6
Third ranked competitor	7.7	7.9
Fourth ranked competitor	5.0	7.0
Fifth ranked competitor	3.9	4.5
Sixth ranked competitor	3.5	4.1
Next two competitors	4.7	3.8
26-99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	46.4	41.7
Second ranked competitor	31.4	28.1
Third ranked competitor	3.8	5.5
Fourth ranked competitor	3.0	3.0
Fifth ranked competitor	2.1	1.3
Sixth ranked competitor	1.7	2.0
Next two competitors	1.6	2.5
25% & Below Concentration		
First ranked competitor	34.4	36.6
Second ranked competitor	17.8	15.2
Third ranked competitor	17.0	14.6
Fourth ranked competitor	7.3	8.3
Fifth ranked competitor	6.8	7.7
Huiyuan juice (Note 3)	6.5	5.0
Next two competitors	2.8	4.9

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", "Huiyuan Zhen Juice", "Kiwi Super Fruits", "Xi Qing", "Quan You" and "Guo Xianmei", the sub-brands of Huiyuan Juice.

(3) Huiyuan Juice includes "Huiyuan", "Huiyuan Zhen Juice", "Lemon Me", "Xi Qing" 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."

Management Discussion and Analysis (Continued)

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. Correspondingly, Huiyuan brand continues to maintain strong recognition across the Chinese markets. The Group also retains a strong position in its product development and rollout capabilities. In fact, it 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.

Turnover of the Group increased by 68.4% from RMB879.7 million for the six months ended 30 June 2009 to RMB1,481.1 million for the same period in 2010. Such strong performance can be attributed to the strategic initiatives implemented by the Group in 2009 and the first half of 2010, especially in relation to management of distribution network and sales channels. In the first half of 2010, the Group continued to focus on:

- Strengthening management over its sales and distribution network;
- Enhancing brand awareness and customer recognition of Huiyuan;
- Developing new products to further expand the market.

Products

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

During the period under review, the Group further expanded its range of juice drinks products by launching a new series called "Juizee Pop", the first sparkling fruit juice drink launched in the China market.

Management Discussion and Analysis (Continued)

Production

In recent years, the Group has established an extensive network of large scale production plants throughout China. As at June 30, 2010, the Group has accumulated a total annual production capacity of 3.77 million tonnes. The Directors believe that with this first mover advantage, the Group is well-positioned to seize, in the future, the increasing 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 optimising the "Mobile-Visit-System" ("MVS"). The MVS, launched in 2009, benefits its nation-wide sales network. The MVS has enabled the Group to develop an efficient and effective communication platform among its sales representatives, thus increasing the overall quality of on-site marketing activities and customer coverage for the Group. As at 30 June 2010, the Group had approximately 8,910 sales representatives in 534 sales offices and 30 direct sales branches and 4,310 distributors, serving over 1.1 million points of sales.

Branding and marketing

With respect to branding, the Group continued to use advertising and promotional activities as the major marketing channel. During the period under review, the Group sponsored various popular television programs and also launched advertising activities on popular internet portals and magazines in China, to enhance the consumers' brand awareness of Huiyuan.

Community activities and corporate social responsibilities

The Group strongly values its corporate social responsibilities. Thus, it continues to adhere to its corporate mission: maintaining society's well-being whilst striving to supply products of the highest quality. During the period under review, the Group actively took part in various charity events. For instance, the Group had entered into a letter of intent with Beijing Youth Entrepreneurship and Employment Foundation (北京青年創業就業基金會) pursuant to which the parties will cooperate to provide assistance to youth from rural areas, striving to establish a businesses or seeking employment. To achieve this, a fund will jointly be established with Beijing Youth Entrepreneurship and Employment Foundation (北京青年創業就業基金會), and to which, the Group will contribute RMB10 million.

In assuming its social responsibilities and in response to the increasing concerns on environmental protection, the Group had actively taken various measures to effectively reduce energy consumption and thereby reducing emissions to the environment. These environmental measures have also benefitted the Group by reducing production cost during the period under review.

Management Discussion and Analysis (Continued)

Operating Results

Overview

Sales of the Group increased by 68.4% from RMB879.7 million for the six months ended 30 June 2009 to RMB1,481.1 million for the same period in 2010. The adjusted loss attributable to the equity holders of the Company decreased by 73.5% from RMB261.7 million for the six months ended 30 June 2009 to RMB69.2 million for the same period in 2010.

Sales

Sales of the Group's core juice products, comprising 100% fruit juices, nectars and juice drinks, increased by 60.6% from RMB811.8 million for the six months ended 30 June 2009 to RMB1,303.8 million for the same period in 2010, primarily attributed to an increase in sales of all of the Group's core juice products.

Sales of 100% fruit juices, which accounted for 18.9% of the Group's total sales, increased by 56.9% from RMB178.5 million for the six months ended 30 June 2009 to RMB280.0 million for the same period in 2010, primarily attributed to a 45.8% increase in sales volume. With the increase in sales volume, the Group's market share in 100% fruit juices continues to maintain its leading position in 100% juice in China, with a 56.4% market share by sales volume for the first half of 2010.

Sales of nectars, which accounted for 36.0% of the Group's total sales, increased by 45.8% from RMB365.5 million for the six months ended 30 June 2009 to RMB532.8 million for the same period in 2010, primarily attributed to a 29.3% increase in sales volume. With the increase in sales volume, the Group has maintained its leading position in China with a 46.4% market share by sales volume for the first half of 2010.

Sales of juice drinks, which accounted for 33.1% of the Group's total sales, increased by 83.3% from RMB267.8 million for the six months ended 30 June 2009 to RMB490.9 million for the same period in 2010. This increase was primarily attributed to a 96.2% increase in the sales volume, which was partially offset by a 6.6% decrease in the average selling price.

Sales of other beverage products increased by 161.4% from RMB67.8 million for the six months ended 30 June 2009 to RMB177.3 million for the same period in 2010, primarily attributed to the increase in sales of water, bottled tea and milk juice.

Management Discussion and Analysis (Continued)

Cost of sales

Cost of sales increased by 42.1% from RMB659.0 million for the six months ended 30 June 2009 to RMB936.6 million for the same period in 2010. The increase in cost of sales was primarily due to the increase in sales.

Gross profit

Gross profit increased by 146.8% from RMB220.7 million for the six months ended 30 June 2009 to RMB544.5 million for same period in 2010. Gross profit margin increased from 25.1% for the six months ended 30 June 2009 to 36.8% for the same period in 2010.

Other income

Other income increased by 1,672.8% from RMB1.4 million for the six months ended 30 June 2009 to RMB24.9 million for the same period in 2010, primarily attributed to (i) the RMB6.3 million increase in the gain on sales of raw materials and scrap; and (ii) the RMB11.5 million increase in the gain on disposals of property, plant and equipment from a loss of RMB10.0 million for the six months ended 30 June 2009 to a gain of RMB1.5 million for the same period in 2010.

Selling and marketing expenses

Selling and marketing expenses increased by 61.8% from RMB319.8 million for the six months ended 30 June 2009 to RMB517.3 million for the same period in 2010, mainly due to the increase in payroll expenses for sales representatives and the increase in advertising expenses.

Administrative expenses

Administrative expenses decreased by 7.1% from RMB152.6 million for the six months ended 30 June 2009 to RMB141.7 million for the same period in 2010. The decrease in administrative expenses was primarily due to the decrease in the provision for impairment of raw materials and finished goods and receivables and the professional fees, which was partially offset by the administrative expenses incurred by certain new plants and sales branches established in the second half of 2009 and first half of 2010.

Finance income/costs

Finance income decreased by 98.4% from RMB332.4 million for the six months ended 30 June 2009 to RMB5.4 million for the same period in 2010, primarily due to a RMB335.1 million decrease in the gain in fair value change in conversion right of the Convertible Bonds, which was partially offset by a RMB9.0 million foreign exchange gain for the six months ended 30 June 2010 as compared to a RMB0.1 million foreign exchange loss for the same period in 2009.

Management Discussion and Analysis (Continued)

Income tax credit/expenses

Income tax expenses decreased by 177.0% from expense of RMB15.5 million for the six months ended 30 June 2009 to credit of RMB11.9 million for the same period in 2010. The decrease was primarily caused by the write-off of RMB7.5 million deferred tax assets recognized for unutilized tax loss in the first half of 2009 whereas a total of RMB15.7 million deferred tax assets recognized for unutilized tax loss was recorded in the first half of 2010.

(Loss)/profit attributable to the equity holders of the company

As a result of the foregoing, the Group recorded RMB89.5 million in operating loss for the six months ended 30 June 2010 as compared with a RMB250.2 million operating loss for the same period in 2009, representing a decrease in operating loss of 64.2%. The adjusted loss attributable to the equity holders of the Company decreased by 73.5% from RMB261.7 million for the six months ended 30 June 2009 to RMB69.2 million for the same period in 2010.

The margin for the adjusted loss attributable to the equity holders of the Company was 4.7% for the six months ended 30 June 2010 as compared with the margin for the adjusted loss attributable to the equity holders of the Company of 29.7% 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 2010, the Group had an aggregate of RMB2,599.1 million in outstanding bank loans and RMB692.9 million in outstanding Convertible Bonds as compared to RMB653.6 million of outstanding bank loans and RMB714.1 million of outstanding Convertible Bonds as at 30 June 2009. The gearing ratio (total debt (including convertible bonds)/total equity) of the Group was 70.3% as at 30 June 2010, representing an increase of 138.3% as compared with 29.5% as at 30 June 2009.

Management Discussion and Analysis (Continued)

The Group's indebtedness includes bank loans and the Convertible Bonds. As at 30 June 2010, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank loans	2,599.1	—	2,599.1
Convertible Bonds	692.9	—	692.9
Total	3,292.0	—	3,292.0
Analysed as:			
Secured	—	—	—
Unsecured	3,292.0	—	3.292.0

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 decreased from 214 days during the six months ended 30 June 2009 to 160 days during the same period in 2010. The decrease in raw materials turnover days was due to an increase in production volume, which led to relatively a lower storage of raw materials as at 30 June 2010. Turnover days for trade receivables decreased from 37 days during the six months ended 30 June 2009 to 32 days during the same period in 2010.

Management Discussion and Analysis (Continued)

Contingent liabilities

As at 30 June 2010, the Group did not have any significant outstanding contingent liabilities.

Off-balance sheet transactions

As at 30 June 2010, the Group had not entered into any off-balance sheet transactions.

Pledge of assets

As at 30 June 2010, 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 2010, the Group 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 2010, 78.6% 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.

Prospects and Development Strategies

"The Directors believe that the Group's position in the market is strategically well-placed as it can profit from the China juice market growth potential, which will grow in correlation with the PRC economy and the increasing demand for high quality juice products. This advantageous position is attributed to the implementation of certain strategic initiatives that have enhanced operation efficiency, accountability and performance of the Group's sales and distribution network during the period under review."

Benefitting from an optimized sales and distribution network, the turnover of the Group increased by 68.4% during the period under review.

To address the rapid growth potential and fierce competition present in the PRC fruit beverage market, the Group will continue to enhance the brand awareness and recognition of Huiyuan and also strengthen its management over sales and distribution network, thus further strengthening its leading also position in 100% juice and nectars markets.

Management Discussion and Analysis (Continued)

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

- Optimize the management over the sales and distribution network;
- Develop new products to diversify the product mix;
- Launch advertising and marketing activities through various channels to achieve a more extensive coverage;
- Introduce more incentive schemes to encourage better performance of the employees; and
- Strengthen reduction in use of energies and protection of environment.

The Directors believe that by focusing on our brand popularity, the excellent product quality, diversified product mix and stringent control on production and sales distribution networks, we will be able to keep up with the fast growing juice market in China. Furthermore, increased support from consumers gained from excellent market sensitivity and creativity, could promote Huiyuan's reputation as a brand and maximise returns of the shareholders.

Directors' Report

The directors of the Company present their report together with the condensed consolidated interim results of the Group for the six months ended 30 June 2010.

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"). As at 30 June 2010, there were three members of the committee, namely Mr. Tsui Yiu Wa (Chairman), Mr. Wang Bing and Mr. Song Quanhou, whom are all independent non-executive directors of the Company. Mr. Tsui Yiu Wa subsequently resigned, on 13 July 2010 as an independent non-executive director of the Company as well as a member and the chairman of the Financial Management and Audit Committee, as well as a member of the Remuneration and Nomination Committee of the Board. Dr. Qi Daqing was appointed on the same day, as an independent non-executive director of the Company, a member and the chairman of the Financial Management and Audit Committee and also a member of the Remuneration and Nomination Committee of the Board.

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 2010 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 2010 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 which indicates that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests and short positions of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange

Directors' Report (Continued)

pursuant to 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**"), were as follows:

Long positions

Name of director	Details of the Shares Held Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli[(a)]	–	–	610,000,000	–	610,000,000	41.53%
	–	–	9,136,588[(b)]	–	9,136,588[(b)]	0.62%

Name of director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Details of outstanding options granted under the Share Option Scheme Number of underlying shares comprised in the options as at 1 January 2010	Number of underlying shares comprised in the options granted during the six months ended 30 June 2010	Number of underlying shares comprised in the options cancelled or lapsed during the six months ended 30 June 2010	Number of underlying shares comprised in the options exercised six months ended 30 June 2010	Number of underlying shares comprised in the options as at 30 June 2010
Mr. Tsui Yiu Wa, Alec[(c)]	Beneficial owner	26 February 2008	25 February 2018	6.39	150,000	–	–	–	150,000

Short positions

Name of director	Details of the Shares Held Personal interest	Family interest	Corporate interest	Other interest	Total shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli[(a) (d)]	–	–	610,000,000	–	610,000,000	41.53%
	–	–	9,136,588[(b)]	–	9,136,588[(b)]	0.62%

Notes:

(a) These shares were beneficially owned by China Huiyuan Holdings which is indirectly wholly-owned by Mr. Zhu Xinli through Huiyuan Holdings. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the shares held by China Huiyuan Holdings.

(b) China Huiyuan Holdings holds US$6,000,000 Convertible Bonds which are convertible into 9,136,588 Shares. China Huiyuan Holdings is indirectly wholly-owned by Mr. Zhu Xinli through Huiyuan Holdings. As such, Mr. Zhu Xinli is deemed to be interested in these shares.

(c) Mr. Tsui Yiu Wa, Alec resigned on 13 July 2010 and the options held by him lapsed accordingly.

Directors' Report (Continued)

(d) Pursuant to an agreement dated 23 September 2006 between Danone Asia and, among the other parties, Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, following the completion of the six-month lock-up period from the Listing Date and for such period in which Danone Asia holds at least 66% of the shares of the Company acquired by it from China Huiyuan Holdings as a result of a share swap under the reorganization of the Company, each of Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, has agreed not to transfer, or agree to transfer, or engage in any negotiation for the sale or transfer of any of the shares of the Company to any third party purchaser unless he/it shall first have offered such shares for purchase to Danone Asia. Under the same agreement, each of Mr. Zhu Xinli, Huiyuan Holdings, China Huiyuan Holdings has also granted a right of first refusal to Danone Asia that if any of them receives a bona fide offer from any third party purchaser for any of his/its shares in the Company and in the event that he/it wishes to sell such shares to the third party purchaser, he/it shall be obliged to first offer to sell such shares to Danone Asia at the same price and on the same terms and conditions of the proposed purchase by the third party purchaser. The details of such agreement are described in the section headed "Our History and Development — Strategic Investor" in the Prospectus.

Save as disclosed above, as at 30 June 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the six months ended 30 June 2010, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

The terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were disclosed in the section headed "Share Option Scheme" in Appendix VII to the Prospectus.

1. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 30 January 2007. The purpose of our Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme except for the following:

Directors' Report (Continued)

(a) the subscription price per share shall be the Offer Price per share; and

(b) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of three years. Commencing from the first, second and third anniversaries of grant of an option, the relevant grantee may exercise up to 30%, 60% and 100%, respectively, of the shares comprised in his or her option.

As at 30 June 2010, a total of 1,000,000 shares (representing approximately 0.07% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2010 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options outstanding as at 30 June 2010
Ng Yuk Keung	30 January 2007	22 February 2017	6.00	700,000	–	–	700,000
Dong Ying	30 January 2007	22 February 2017	6.00	300,000	–	–	300,000
				1,000,000	–	–	1,000,000

Directors' Report (Continued)

2. **Share Option Scheme**

The Company adopted the Share Option Scheme on 30 January 2007. The purpose of the Share Option Scheme is to provide incentive and/or reward to any director or employee of the Group or of any entity in which the Company has equity interest, any executive of the controlling shareholder of the Group, and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to the Group and their continuing efforts to promote the Group's interests.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 138,749,750 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007. Under the Share Option Scheme, each option has a 10-year exercise period. Commencing from the first, second, third and fourth anniversary of grant of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

Directors' Report (Continued)

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2010 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options outstanding as at 30 June 2010
Mr. Tsui Yiu Wa, Alec [Note]	25 February 2008	25 February 2018	6.39	150,000	–	–	150,000
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	–	–	28,810,500
				28,960,500	–	–	28,960,500

Note: Mr. Tsui Yiu Wa, Alec resigned on 13 July 2010 and the options held by him lapsed accordingly. Pursuant to Rule 17.06A of the Hong Kong Listing Rules, on 13 July 2010, 150,000 share options were granted to Dr. Qi Daqing under the Share Option Scheme.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2010, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions

Name	Name of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%
Huiyuan Holdings[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%
China Huiyuan Holding[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%
Danone	337,497,501	22.98%
	610,000,000[(c)]	41.53%
Danone Asia[(b)(e)]	337,497,501	22.98%
	610,000,000[(c)]	41.53%
APG Group	98,774,501	6.70%

Directors' Report (Continued)

Short positions

Name	Name of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%
Huiyuan Holdings[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%
China Huiyuan Holding[(a)]	610,000,000[(c)]	41.53%
	9,136,588[(c)(d)]	0.62%

Notes:

(a) Huiyuan Holdings is wholly owned by Mr. Zhu Xinli and China Huiyuan Holdings is a wholly owned subsidiary of Huiyuan Holdings. Each of Mr. Zhu and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings.

(b) Danone Asia is a strategic investor in the Company. Danone Asia is a wholly owned subsidiary of Danone. Danone is therefore deemed to be interested in the shares held by Danone Asia.

(c) Pursuant to an agreement dated 23 September 2006 between Danone Asia and, among the other parties, Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, following the completion of the six-month lock-up period from the Listing Date and for such period in which Danone Asia holds at least 66% of the shares of the Company acquired by it from China Huiyuan Holdings as a result of a share swap under the reorganization of the Company, each of Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, has agreed not to transfer, or agree to transfer, or engage in any negotiation for the sale or transfer of any of the shares of the Company to any third party purchaser unless he/it shall first have offered such shares for purchase to Danone Asia. Under the same agreement, each of Mr. Zhu Xinli, Huiyuan Holdings, China Huiyuan Holdings has also granted a right of first refusal to Danone Asia that if any of them receives a bona fide offer from any third party purchaser for any of his/its shares in the Company and in the event that he/it wishes to sell such shares to the third party purchaser, he/it shall be obliged to first offer to sell such shares to Danone Asia at the same price and on the same terms and conditions of the proposed purchase by the third party purchaser. The details of such agreement are described in the section headed "Our History and Development — Strategic Investor" in the Prospectus.

(d) China Huiyuan Holdings holds US$6,000,000 Convertible Bonds which are convertible into 9,136,588 Shares. China Huiyuan Holdings is indirectly wholly-owned by Mr. Zhu Xinli through Huiyuan Holdings, so Mr. Zhu Xinli is deemed to be interested in these shares.

(e) Pursuant to an agreement dated 28 July 2010 between Danone Asia and Sino Fountain Limited ("SAIF"), Danone Asia had agreed to sell all the 337,497,501 Shares held by it at HKD6.00 per Share to SAIF. The sale of Shares by Danone Asia to SAIF will be completed in two tranches: the sale of 178,425,000 Shares (approximately 12.15% of the total issued share capital of the Company) completed on 28 July 2010 and the sale of 159,072,501 Shares (approximately 10.83% of the total issued share capital of the Company) will complete on 6 September 2010 or such other date as agreed between Danone Asia and SAIF.

Save as disclosed above, as at 30 June 2010, the directors are not aware of any persons who have an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

Dilutive Effect of the Convertible Bonds

As at 30 June 2010, a total of US$14,000,000 Convertible Bonds had been converted into 21,318,703 Ordinary Shares and a total of US$71,000,000 Convertible Bonds remained outstanding.

As at 30 June 2010, if the Bond Holders fully converted their Convertible Bonds into the Ordinary Shares at a price of HK$5.1, i.e., at a 15% discount to the Offer Price, a total of 107,911,089 Ordinary Shares would have been issued and the then issued share capital of the Company would have been enlarged to comprise a total of 1,576,727,293 Ordinary Shares. As such, assuming that the all the outstanding options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme were fully exercised as at 30 June 2010, the public float (as defined under the Listing Rules) would decrease to 29.96% from 32.77% prior to such conversion.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Employment and Emolument Policies

As at 30 June 2010, the Group had 13,595 employees (31 December 2009: 17,111 employees). The emolument policy of the employees of the Group is determined by the Board on the basis of merit, qualifications and competence.

The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has also adopted the share option schemes as incentives for the Directors and eligible employees. Details of the schemes are set out under the paragraph headed "Share Option Schemes" of this report and in note 14 to the unaudited condensed consolidated interim financial information.

Changes to Information in respect of Directors

During the six months ended 30 June 2010, there was no changes to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

Directors' Report (Continued)

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 to maintain and improve a high standard of corporate governance practices.

In the six months ended 30 June 2010, 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.

Currently, 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 rules set out in the Code Provision A2.1, where the two positions should be held by two different individuals, Mr. Zhu's has considerable and extensive experience in the juice and beverage industry and in enterprise operation and management is needed in both positions. The Board believes that it is in the best interest of the Company to conserve an executive chairman, as the Board would benefit from his business expertise and knowledge as well as his capability in leading the Board in formulating the strategy for the long-term development of the Group.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting, thus the chairman of the Board is not 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 with all the Directors, they have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

On behalf of the board
Zhu Xinli
Chairman

Beijing, 30 August 2010

Condensed Consolidated Balance Sheet

As at 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,314,590	3,298,486
Intangible assets	6	487,947	498,058
Land use rights	7	513,486	494,085
Deferred tax assets		48,739	35,760
Long-term receivable		6,086	10,483
Total non-current assets		5,370,848	4,336,872
Current assets			
Inventories	8	1,043,775	988,578
Trade and other receivables	9	1,038,239	933,377
Other loans and receivables	10	–	64,300
Restricted cash	11	134,261	32,054
Cash and cash equivalents	12	1,227,194	717,442
Total current assets		3,443,469	2,735,751
Total assets		8,814,317	7,072,623
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	114	114
Share premium	13	3,716,982	3,716,982
Other reserves		170,505	168,235
Retained earnings			
— Proposed final dividends		–	58,753
— Others		792,642	864,889
Total equity		4,680,243	4,808,973

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	—	285,299
Deferred government grants		66,119	64,003
Long-term payable for land use rights		6,601	7,873
Long-term payable for license fee		1,358	2,730
Convertible bonds	17	—	698,233
Total non-current liabilities		74,078	1,058,138
Current liabilities			
Trade and other payables	15	756,280	735,185
Taxation payable		10,332	32,076
Deferred revenue		1,372	35,003
Convertible bonds	17	692,883	—
Borrowings	16	2,599,129	403,248
Total current liabilities		4,059,996	1,205,512
Total liabilities		4,134,074	2,263,650
Total equity and liabilities		8,814,317	7,072,623
Net current (liabilities)/assets		(616,527)	1,530,239
Total assets less current liabilities		4,754,321	5,867,111

The notes on pages 30 to 57 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

		Unaudited Six months ended 30 June 2010	 2009
	Note	RMB'000	RMB'000
Revenue	4	1,481,117	879,691
Cost of sales	19	(936,571)	(659,028)
Gross profit		544,546	220,663
Other income — net	18	24,926	1,406
Other gains — net		—	106
Selling and marketing expenses	19	(517,272)	(319,781)
Administrative expenses	19	(141,744)	(152,556)
Finance costs	21	(32,536)	(35,793)
Finance income	22	10,511	5,693
Unrealised gain from change of fair value of convertible bonds	17	27,405	362,486
(Loss)/profit before income tax		(84,164)	82,224
Income tax credit/(expense)	23	11,917	(15,480)
(Loss)/profit for the period		(72,247)	66,744
Other comprehensive income for the period		—	—
Total comprehensive income for the period		(72,247)	66,744
Attributable to:			
Equity holders of the Company		(72,247)	66,744
		RMB Cents per share	RMB Cents per share
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period			
(expressed in RMB cents per share)	24		
— basic		(4.9)	4.5
— diluted		(4.9)	(16.9)
Dividends	25	—	—

The notes on pages 30 to 57 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2010		114	3,716,982	141,722	26,513	923,642	4,808,973
Comprehensive income							
Profit for the period		–	–	–	–	(72,247)	(72,247)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(72,247)	(72,247)
Transactions with owners in their capacity as owners							
Dividends		–	–	–	–	(58,753)	(58,753)
Share-based payment expenses	14	–	–	–	2,270	–	2,270
Total transactions with owners		–	–	–	2,270	(58,753)	(56,483)
Balance at 30 June 2010		114	3,716,982	141,722	28,783	792,642	4,680,243
Balance at 1 January 2009		114	3,716,982	122,539	16,759	731,586	4,587,980
Comprehensive income							
Profit for the period		–	–	–	–	66,744	66,744
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	66,744	66,744
Transactions with owners in their capacity as owners							
Dividends		–	–	–	–	(22,235)	(22,235)
Share-based payment expenses	14	–	–	–	4,877	–	4,877
Total transactions with owners		–	–	–	4,877	(22,235)	(17,358)
Balance at 30 June 2009		114	3,716,982	122,539	21,636	776,095	4,637,366

The notes on pages 30 to 57 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash used in operations		(212,138)	(148,854)
Interest paid		(22,577)	(13,948)
Interest received		1,561	6,796
Income tax paid		(22,806)	(27,650)
Cash flows used in operating activities—net		(255,960)	(183,656)
Cash flows from investing activities			
Acquisition of a subsidiary		–	17,492
Purchases of property, plant and equipment (PPE)		(1,033,263)	(228,758)
Proceeds on disposal of PPE		251	6,859
Cash received on government grant		–	12,291
Purchase of land use rights		(19,418)	(2,053)
Refund of consideration for sales distribution network		–	10,379
(Increase)/decrease in restricted cash		(102,207)	57,304
Decrease in other loans and receivables		64,300	296,786
Cash flows used in investing activities—net		(1,090,337)	170,300
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		2,188,237	20,000
Repayments of borrowings from banks and other financial institution		(272,640)	(307,402)
Redemption of Convertible Bonds		–	(15,891)
Dividends paid to the Company's shareholders		(58,753)	(22,235)
Cash flows from financing activities—net		1,856,844	(325,528)
Exchange (loss)/gain on cash and cash equivalents		(795)	348
Net increase/(decrease) in cash and cash equivalents		509,752	(338,536)
Cash and cash equivalents at the beginning of the period	12	717,442	1,306,621
Cash and cash equivalents at end of the period	12	1,227,194	968,085

The notes on pages 30 to 57 form an integral part of this condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

For six months ended 30 June 2010
(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 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 30 August 2010.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with IFRS.

Because the two long term bank loans with balances of US$250 million and US$56 million, respectively, were technically reclassified as short term liabilities as at 30 June 2010 (please refer to note 16 for details), the Group's current liabilities exceeded its current assets by RMB 616,527,000 as at 30 June 2010. The Group has considered the current economic environment, its ability to generate net cash inflows from its future operating activities, likelihood of obtaining a waiver to the financial covenants of the two long term bank loans and renewal of the other short-term borrowings as shown on the balance sheet on their maturity dates, the unused bank facilities, the creditworthiness of the Company and its subsidiaries. On the above basis, the directors believe the Group has the ability to repay its borrowings or refinance them when they mature during the next 12 months after 30 June 2010. Therefore, these financial statements have been prepared on the going concern basis.

3 Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the consolidated financial statements for the year ended 31 December 2009, as set out in the annual report of the Group for year ended 31 December 2009, unless otherwise stated.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS for the financial year beginning 1 January 2010:

- IFRS 3 (revised), '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', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

  As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard does not have an impact on the Group's financial results for the period.

- IAS 36, 'Unit of accounting for goodwill impairment test', Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). The amendment does not have an impact on the Group's financial results for the period.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

(b) The following amendments and interpretation to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

- IFRIC-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no cash-settled share-based payment transactions.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the International Accounting Standards Board ('IASB'). The improvement related to IFRS 5 'Non-current assets held for sale and discontinued operations' is effective for annual period on or after 1 July 2009.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB. All improvements are effective in the financial year of 2010.

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted by the group:

- IFRS 9, 'Financial instruments' (effective from 1 January 2013).

- IAS 24 (Revised) 'Related party disclosures' (effective from 1 January 2011).

- Amendment to IAS 32, 'Classification of rights issues', (effective from 1 February 2010).

- Amendments to IFRIC-Int 14 'Prepayments of a minimum funding requirement' (effective from 1 January 2011).

- IFRIC-Int 19, 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010).

3 Summary of significant accounting policies (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted by the group: (Continued)

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) (effective from 1 July 2010).

- Third improvements to International Financial Reporting Standards (2010) (effective in the financial year of 2011).

The Group has commenced an assessment of the impact to the Group for the above but is not yet in a position to state whether they will result in any significant changes to the Group's accounting policies and presentation of the financial statement.

In addition to those disclosed in note 3(c) above, there are a number of amendments and interpretations to the existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the Group's operations. They are not disclosed due to excessive length.

4 Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess the business from a product perspective and the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of the revenue by product category is as follows:

	Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
100% juice products	280,034	178,533
Nectars	532,847	365,475
Juice drinks	490,912	267,835
Water and other beverage products	177,324	67,848
	1,481,117	879,691

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

5 Property, plant and equipment

	Unaudited RMB'000
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	**3,298,486**
Additions	**1,160,794**
Disposals	**(3,434)**
Depreciation charge	**(141,256)**
Closing net book amount as at 30 June 2010	**4,314,590**
Six months ended 30 June 2009	
Opening net book amount as at 1 January 2009	3,102,455
Acquisition of a subsidiary	2,664
Additions	295,565
Disposals	(37,660)
Depreciation charge	(109,350)
Closing net book amount as at 30 June 2009	3,253,674

There is no property, plant and equipment pledged as security for borrowings as at 30 June 2010 (31 December 2009: nil).

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

6 Intangible assets

	Unaudited					
	Sales distribution network RMB'000	Goodwill RMB'000	Trademarks RMB'000	License right RMB'000	Software RMB'000	Total RMB'000
Six months ended 30 June 2010						
Opening net book amount as at 1 January 2010	187,738	166,067	140,598	3,154	501	498,058
Amortisation (a)	(6,581)	—	(2,965)	(537)	(28)	(10,111)
Closing net book amount as at 30 June 2010	181,157	166,067	137,633	2,617	473	487,947
Six months ended 30 June 2009						
Opening net book amount as at 1 January 2009	—	166,067	146,528	4,228	439	317,262
Additions	153,732	—	—	—	122	153,854
Amortisation (a)	—	—	(2,965)	(537)	(23)	(3,525)
Closing net book amount as at 30 June 2009	153,732	166,067	143,563	3,691	538	467,591

(a) Amortisation of intangible assets has been charged to selling and marketing expenses in the unaudited condensed consolidated statement of comprehensive income.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

7 Land use rights

	Unaudited RMB'000
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	494,085
Additions	24,324
Amortisation	(4,923)
Closing net book amount as at 30 June 2010	513,486
Six months ended 30 June 2009	
Opening net book amount as at 1 January 2009	429,080
Additions	1,048
Amortisation	(4,056)
Closing net book amount as at 30 June 2009	426,072

There are no land use rights pledged as security for borrowings as at 30 June 2010 (31 December 2009: nil).

8 Inventories

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Raw materials	643,222	646,266
Finished goods	203,758	164,104
Spare parts and consumable materials	196,795	178,208
	1,043,775	988,578

The cost of inventories recognised as expenses and included in "cost of sales" amounted to RMB737,321,000 for the six months ended 30 June 2010 (corresponding period in 2009: RMB488,148,000).

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

9 Trade and other receivables

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Trade receivables	247,569	333,587
Related parties (a)	2,708	2,055
Third parties (a)	261,279	347,950
Less: provision for impairment of receivables	(16,418)	(16,418)
Bills receivable — third parties and others	14,152	40,495
Prepayments of raw materials and others	523,493	524,605
Related parties	—	15,285
Third parties	523,493	509,320
Other receivables	52,616	34,690
Related parties	19,830	18,639
Third parties	32,786	16,051
Value-added tax receivables	200,409	—
	1,038,239	933,377

The carrying amounts of receivables approximate their fair value.

(a) Credit risk with respect to trade receivables is not concentrated, as the Group has a large number of customers, which are widely dispersed within the PRC. Except for sales to selected long-term distributors and supermarkets which are settled within the credit terms as agreed in sales contracts, 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 2010 and 31 December 2009, the aging analysis of the trade receivables was as follows:

— Third parties

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	157,333	307,156
Between 4 and 6 months	77,010	21,353
Between 7 and 12 months	13,527	7,515
Between 1 and 2 years	11,694	11,926
Over 2 years	1,715	—
	261,279	347,950

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

9 Trade and other receivables (continued)

(a) (Continued)

— Related parties

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	139	653
Between 4 and 6 months	2,569	1,402
	2,708	2,055

10 Other loans and receivables

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Time deposits	—	64,300

The balance of other loans and receivables of the group is nil as of 30 June 2010. In 2009, other loans and receivables represent time deposits denominated in RMB in banks with maturities in a range from 3 months to 6 months. The interest return on these time deposits ranged from 1.71% to 1.98% per annum. The deposits are carried at amortised cost using the effective interest method.

Other loans and receivables are presented within "investing activities" as part of changes in the cash flow statement.

11 Restricted cash

Restricted cash comprised bank deposits for maintenance of banking facilities and settlement of notes payable.

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

12 Cash and cash equivalents

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Cash at banks and cash in hand		
Denominated in		
— Renminbi Yuan	399,450	516,461
— U.S. Dollar	908,971	229,320
— Euro	52,992	3,439
— Hong Kong Dollar	36	117
— Australian Dollar	6	159
	1,361,455	749,496
Less: restricted cash (note 11)		
— guarantee	(134,261)	(32,054)
	1,227,194	717,442

13 Share capital and share premium

	Number of shares of USD0.00001 each (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 30 June 2010 and 31 December 2009	1,468,817	114	3,716,982	3,717,096

There is no change in share capital and share premium since 1 January 2009.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

14 Share option and Pre-IPO share option

(a) Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme") on 30 January 2007, which became effective on 23 February 2007, the Listing Date. The purpose of the Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme ("Share Option Scheme") approved on 30 January 2007 except for the following:

(i) the subscription price per share shall be the Offer Price per share; and

(ii) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date.

The terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were same as those disclosed in the 2008 Annual Report.

The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of 3 years. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

14 Share option and Pre-IPO share option (continued)

(a) Pre-IPO Share Option Scheme (continued)

Date of grant	Number of options outstanding as at 1 January 2010	Number of options lapsed or cancelled during the 6 months ended 30 June 2010	Number of options exercised during the 6 months ended 30 June 2010	Number of options outstanding as at 30 June 2010	Date of expiry	Exercise price (HK$)
30 January 2007	1,000,000	—	—	1,000,000	22 February 2017	6.00

The Pre-IPO options outstanding as at 31 December 2009 have the following vesting dates and weighted average exercise price:

	Unaudited 30 June 2010		Audited 31 December 2009	
Vesting Date	Exercise price (per share) HK$	Outstanding options (Thousands)	Exercise price (per share) HK$	Outstanding options (Thousands)
23 February, 2008	6	300	6	300
23 February, 2009	6	300	6	300
23 February, 2010	6	400	6	400
	6	1,000	6	1,000

As at 30 June 2010, a total of 1,000,000 shares (representing approximately 0.07% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

14 Share option and Pre-IPO share option (continued)

(b) Share Option Scheme

The Company adopted the Share Option Scheme on 30 January 2007 which has become effective on 23 February 2007, the Listing Date.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 138,749,750 shares of the Company, being 10% of the total number of shares in issue immediately prior to the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited. The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007. Under the Share Option Scheme, each option has a 10-year exercise period. The subscription price per share shall be the market price on the grant date.

35,450,000 share options granted under the Share Option Scheme on 25 February 2008 have a vesting period of five years. Commencing from the first, second, third and fourth anniversary of the date of grant, the relevant grantee may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options outstanding as at 30 June 2010
Mr. Tsui Yiu Wa, Alec [Note]	25 February 2008	25 February 2018	6.39	150,000	–	–	150,000
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	–	–	28,810,500
				28,960,500	–	–	28,960,500

Note: Mr. Tsui Yiu Wa, Alec resigned on 13 July 2010 and the options held by him lapsed accordingly. Pursuant to Rule 17.06A of the Hong Kong Listing Rules, on 13 July 2010, 150,000 share options were granted to Dr. Qi Daqing under the Share Option Scheme.

14 Share option and Pre-IPO share option (continued)

(c) Fair value of share options

The fair value of the Pre-IPO Share Options and the Share Options granted has been valued by an independent qualified valuer using the Binomial valuation model.

	RMB'000
Fair value of Pre-IPO Share Options granted on 30 January 2007	4,031
Fair value of the Share Options granted on 25 February 2008	29,174
	33,205

The details of fair values and significant inputs into the model were as follows:

Grant date	25 February 2008	30 January 2007
Spot share price (HK$)	6.39	9
Strike price (HK$)	6.39	6
Expected volatility	44.81%	34.40%
Maturity (years)	10	10
Interest rate	3.64%	4.26%
Dividend yield	2.87%	1.13%
Suboptimal exercise factor	1.5	1.5

The expected volatility is estimated by making reference to the volatility of the Company and the other companies with similar backgrounds and/or nature of business as the Company.

Fair values of the Pre-IPO Share Options and the Share Options are charged to the income statement over the vesting periods of the options. Total share option expenses charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 amounted to RMB2,270,000 (corresponding period in 2009: RMB4,877,000).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

15 Trade and other payables

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Trade payables (a)	428,989	319,077
Related parties	127,351	—
Third parties	301,638	319,077
Other payables	327,291	416,108
Related parties	6,290	4,720
Third parties	321,001	411,388
	756,280	735,185

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

— Third parties

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	269,889	308,378
Between 4 and 6 months	20,915	4,671
Between 7 and 12 months	6,307	1,717
Over 1 year	4,527	4,311
	301,638	319,077

— Related parties

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	93,613	—
Between 4 and 6 months	33,738	—
	127,351	—

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

16 Borrowings

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Bank borrowings		
Non-current	–	285,299
Current	2,599,129	403,248
Total borrowings	2,599,129	688,547
Unsecured	2,599,129	688,547

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	688,547
Additions	2,188,237
Repayments of borrowings	(277,655)
Closing amount as at 30 June 2010	2,599,129
Six months ended 30 June 2009	
Opening amount 1 January 2009	938,501
Additions	20,000
Repayments of borrowings	(304,935)
Closing amount as at 30 June 2009	653,566

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

16 Borrowings (continued)

(a) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates was as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
— Within 6 months	2,599,129	688,547

(b) The maturity dates of the borrowings were analysed as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 1 year	2,599,129	403,248
Between 1 and 2 years	—	285,299
Between 2 and 5 years	—	—
	2,599,129	688,547

In the first half of 2010, the Company entered into a long term loan facility agreement of US$250 million repayable in three unequal semi-annual installments, commencing 30 April 2012.

As of 30 June 2010, the balance of the Company's US$70 million syndicated loan was US$56 million repayable in four semi-annual installments, commencing 9 July 2010.

Both loans are subject to certain financial covenants, two of which the Group failed to achieve as of 30 June 2010. Therefore according to IFRS the two loans were technically reclassified to current liabilities as of 30 June 2010.

Management is in the process of negotiation with banks to obtain a waiver to the financial covenants for the year ending 31 December 2010. If the waiver is obtained, the two loans will be reclassified as long term liabilities as of 31 December 2010.

16 Borrowings (continued)

(c) The effective interest rates at the balance sheet dates were as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Bank borrowings	3.21%	1.54%

Since the non-current bank borrowings are bearing floating interest rates, which equal to Libor plus appropriate credit rates, their carrying amounts approximate their fair values.

The carrying amounts of current borrowings approximate their fair values.

17 Convertible bonds

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Convertible Bonds due 2011, liability components	568,595	546,540
Fair value of embedded derivatives	124,288	151,693
	692,883	698,233

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.

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

17 Convertible bonds (continued)

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 2009.

As the convertible bonds are due on 28 June 2011, the Convertible Bonds have been reclassified from non-current liabilities to 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 had 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, 2009 and the six months ended 30 June 2010.

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 options (considered as a single derivative) (the "conversion rights") 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 rights.

	RMB'000
Fair value of conversion rights as at 31 December 2009	151,693
Less: Fair value of conversion rights as at 30 June 2010	(124,288)
Fair value changes of conversion rights	27,405

The fair value change in the conversion rights, redemption rights and interest settlement options for the six months ended 30 June 2010 is RMB27,405,000 (corresponding period in 2009: RMB362,486,000), which is recognised in the condensed consolidated 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 2010 amounted to RMB31,119,000 (corresponding period in 2009: RMB29,410,000), which is calculated using the effective interest method with an effective interest rate of 11.38%.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

17 Convertible bonds (continued)

	RMB'000
Liability component as at 31 December 2009	546,540
Add: Interest expense for the period (note 21)	31,119
Less: Interest payment during the period	(6,094)
Unrealised exchange gain (note 22)	(2,970)
Liability component as at 30 June 2010	568,595

The fair value of the liability component of the Convertible Bonds at 30 June 2010 amounted to RMB559,569,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.71% per annum.

18 Other income — net

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Net income from sales of materials and scrap	9,397	3,075
Subsidy income	8,168	4,417
Net gain from processing beverages for third party	1,336	1,709
Amortisation of deferred government grants	1,368	1,438
Gain/(loss) on disposals of property, plant and equipment	1,461	(10,041)
Others	3,196	808
	24,926	1,406

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
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19 Expenses by nature

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Raw materials used in inventories (note 8)	737,321	488,148
Advertising and other marketing expenses	367,409	255,776
Employee benefit expense (note 20)	132,914	71,444
Depreciation of property, plant and equipment	113,550	101,782
Water and electricity	78,645	56,579
Transportation and related charges	67,194	43,979
Travelling expense	15,137	5,033
Amortisation of land use rights and intangible assets (note 6, 7)	15,034	7,581
Office and communication expenses	14,521	6,299
Repairs and maintenance	12,647	15,212
Land use tax	8,073	6,955
Rental expenses	6,446	2,747
Impairment loss of inventories	1,977	24,872
Impairment loss for trade and other receivables	—	15,443
Other expenses	24,719	29,515
Total cost of sales, selling and marketing expenses and administrative expenses	1,595,587	1,131,365

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

20 Employee benefit expense

		Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
	Note		
Wages and salaries		119,453	60,213
Contributions to pension plan and other benefits	(a)	11,191	6,354
Share-based payment expenses		2,270	4,877
		132,914	71,444

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial government under which the Group are required to make monthly defined contributions to this plan at a certain rate of the employees' basic salary dependent upon the applicable local regulations.

(b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company during six months ended 30 June 2010 and 2009 were as follows:

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Salaries, wages and bonuses	2,588	2,231
Contributions to pension plan	22	19
Welfare and other expenses	27	20
	2,637	2,270

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

21 Finance costs

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Interest expenses:		
— Bank borrowings	**18,967**	10,842
— Interest expense relating to Convertible Bonds (note 17)	**31,119**	29,410
Less: Interest capitalised	**(17,550)**	(4,459)
	32,536	35,793
Weighed average effective interest rate used to calculate capitalisation amount	**2.60%**	1.99%

22 Finance income

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Interest income		
— from bank deposits	**1,561**	5,808
Exchange gain/(loss) (excluding Convertible Bonds)	**5,980**	(319)
Exchange gain on liability component of Convertible Bonds (note 17)	**2,970**	204
	10,511	5,693

23 Income tax (credit)/expense

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Current income tax — PRC enterprise income tax	**1,062**	7,775
Deferred income tax (credit)/charge	**(12,979)**	7,705
	(11,917)	15,480

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

According to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the period ended 30 June 2010 and for the year ended 31 December 2009 since the Group plans to reinvest such profits to set up new companies in the PRC and has no plan to distribute such profits in the foreseeable future.

24 (Losses)/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 2010 RMB'000	2009 RMB'000
(Loss)/profit attributable to equity holders of the Company	**(72,247)**	66,744
Weighted average number of ordinary shares in issue (thousands)	**1,468,817**	1,468,817
Basic (losses)/earnings per share (RMB cents)	**(4.9)**	4.5

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

24 (Losses)/earnings per share (continued)

(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 2010 RMB'000	2009 RMB'000
(Loss)/profit attributable to equity holders of the Company	(72,247)	66,744
Add: Interest expense relating to Convertible Bonds	—*	29,410
Less: Unrealised exchange gain relating to Convertible Bonds	—*	(204)
Less: Fair value changes of conversion rights of Convertible Bonds	—*	(362,486)
Loss attributable to equity holders of the Company, used to determine diluted losses per share	(72,247)	(266,536)
Weighted average number of ordinary shares in issue (thousands)	1,468,817	1,468,817
Adjustment for Convertible Bonds (thousands)	—*	107,911
Adjustment for share options (thousands)	—*	—
Weighted average number of ordinary shares for diluted losses per share (thousands)	1,468,817	1,576,728
Diluted losses per share (RMB cents)	(4.9)	(16.9)

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

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

25 Dividends

The dividends for the year ended 31 December 2009 amounting to RMB58,753,000 were paid in June 2010 (Corresponding period in 2009: RMB22,235,000). The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (corresponding period in 2009: nil).

26 Contingent liabilities

There were no material contingent liabilities as at 30 June 2010 (31 December 2009: nil).

27 Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred were as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Purchase of property, plant and equipment	792,454	439,319

(b) Operating lease commitments

The Group leases various offices, warehouses, plant and machinery under non-cancellable operating lease agreements.

The lease expenditures charged to the income statements during the six months ended 30 June 2010 and 2009 are disclosed in Note 19.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

The Group is the lessee

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
No later than 1 year	2,317	3,925
Later than 1 year and no later than 5 years	9,040	8,002
Later than 5 years	6,000	6,000
	17,357	17,927

For six months ended 30 June 2010
(All amounts in RMB thousands unless otherwise stated)

28 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The following transactions were carried out with related parties:

	Unaudited Six months ended 30 June 2010 RMB'000	Unaudited Six months ended 30 June 2009 RMB'000
Sales of goods and services		
Sales of recyclable containers	12,337	3,844
Income for provision of power and other utilities	1,999	2,067
	14,336	5,911
Purchase of materials and services		
Purchase of raw materials	205,701	252,728
Rental expenses for lease of property, plant and equipment and land use rights	1,000	1,000
Expenses for power and other utilities	649	509
	207,350	254,237
Key management compensation		
Salaries, wages and bonuses	4,125	4,996
Contributions to pension plan	74	73
Welfare and other expenses	96	88
Share option expenses	2,270	4,877
	6,565	10,034

In the year of 2009 and 2010, one subsidiary of the Group, Beijing Huiyuan Food & Beverage Co., Ltd, has been using and will continue to use certain offices premises owned by Beijing Huiyuan Beverage & Food Group Co. Ltd., a related party company beneficially owned by Mr. Zhu Xinli, at nil cost.

28 Related-party transactions (continued)

(a) The following transactions were carried out with related parties: (Continued)

In 2010, a related party company of the Group, Beijing Huiyuan Beverage & Food Group Co. Ltd., provided the Group with the right to use three production lines at no consideration (2009: Three).

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) Period/year-end balances due from or due to related parties were as follows:

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Trade receivables (note 9)		2,708	2,055
Other receivables due from related parties (note 9)		19,830	18,639
Prepayments of raw materials and others (note 9)		—	15,285
Trade payables (note 15)		127,351	—
Other balances due to related parties (note 15)		6,290	4,720

The balances due from or due to related parties are unsecured and non-interest bearing.

29 Subsequent events

The Company announced that on 28 July 2010, it received a notice from Danone, a substantial shareholder of the Company which, as of 28 July 2010, holds 337,497,501 Shares, representing approximately 22.98% of the total issued share capital of the Company, that it had agreed to sell all the 337,497,501 Shares held by it at HKD6.00 per Share to Sino Fountain Limited ("SAIF").

The Company further announced that on 28 July 2010 (i) it entered into a deed of trust and indemnity with Mr. Zhu Xinli and the other two trustees who are members of the senior management of the Company, for the establishment of a trust to hold the net cash proceeds (if any) from the exercise of the option granted by SAIF over certain Shares to be purchased by SAIF from Danone, for the benefit of certain classes of the employees of the Company; and (ii) the Remuneration and Nomination Committee has approved, and the Trust has adopted, an employee cash benefit incentive plan to identify the classes of the Employee Beneficiaries who may be eligible for discretionary grants out of such net cash proceeds.

Glossary of Terms

"Board"	the board of directors of our Company
"Bond Holders"	the holders of Convertible Bonds
"BVI"	the British Virgin Islands
"China Huiyuan Holdings"	China Hui Yuan Juice Holdings Co., Ltd. (中國滙源果汁控股有限公司*), a limited liability company incorporated in the Cayman Islands
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "we", "us" or "our"	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司*), a limited liability company incorporated in the Cayman Islands on 14 September 2006, and where the context otherwise requires, all of its subsidiaries and associated companies
"Convertible Bonds"	US$85,000,000 convertible bonds due 28 June 2011
"Danone"	Groupe Danone S.A.
"Danone Asia"	Danone Asia Pte. Ltd., a wholly owned subsidiary of Danone incorporated in Singapore
"Financial Management and Audit Committee"	the financial management and audit committee of the Company as set up by the Board on 21 September 2006

Glossary of Terms (Continued)

"Group" or "Huiyuan Juice"	the Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or the businesses operated by the present subsidiaries or (as the case may be) its predecessor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited (as amended from time to time)
"Huiyuan Holdings"	Huiyuan International Holdings Limited (滙源國際控股有限公司*), a company incorporated in the BVI
"Listing Date"	23 February 2007 being the date on which dealings in the shares of the Company first commence on the Hong Kong Stock Exchange
"Offer Price"	HK$6.00 per share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), at which the Shares of the Company were sold under the global offering described in the Prospectus
"Ordinary Shares" or "Shares"	Ordinary shares of US$0.00001 each in the share capital of the Company

Glossary of Terms (Continued)

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted pursuant to written resolution passed by the sole shareholder on 30 January 2007, the principal terms of which are summarized in the section headed "Pre-IPO Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"Prospectus"	the prospectus issued by the Company on 8 February 2007 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Company as set up by the Board on 21 September 2006
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 30 January 2007, the principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"United States"	The United States of America
"United States $" or "US$"	United States dollars, the lawful currency of the United States

The terms "associate", "connected person", "connected transaction", "controlling shareholder", "independent third party", "subsidiary" and "substantial shareholder" shall have the meanings given to these terms under the Hong Kong Listing Rules.