CHINA HUIYUAN JUICE GROUP LIMITED

中國滙源果汁集團有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

Key financial figures

	For the six months ended 30 June		
	2010	2009	Change (%)
	RMB'000	*RMB'000*	
Sales	**1,481,117**	879,691	68.4%
Gross profit	**544,546**	220,663	146.8%
(Loss)/profit for the period *(Note 1)*	**(72,247)**	66,744	–208.2%
Adjusted loss attributable to equity holders *(Note 2)*	**(69,233)**	(261,659)	–73.5%
EBITDA	**39,040**	(140,799)	127.7%
(Losses)/earnings per share (RMB cents)			
— Basic	**(4.9)**	4.5	–208.9%
— Diluted	**(4.9)**	(16.9)	–71.0%

Note 1: Profit for the period is equivalent to the profit attributable to equity holders.

Note 2: 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.

- 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. Such strong performance reflected the benefits resulted from 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.

- According to Nielsen, the Group accounted for 56.4% and 46.4% (by sales volume) of 100% juice and nectars markets, respectively, for the six months ended 30 June 2010, maintaining its leading position in both markets.

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

The directors (the "Directors") of China Huiyuan Juice Group Limited (the "Company") are pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Huiyuan") for the six months ended 30 June 2010, along with the comparative figures for the corresponding period of last year as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,481,117**	879,691
Cost of sales	*6*	**(936,571)**	(659,028)
Gross profit		**544,546**	220,663
Other income — net	*5*	**24,926**	1,406
Other gains — net		**—**	106
Selling and marketing expenses	*6*	**(517,272)**	(319,781)
Administrative expenses	*6*	**(141,744)**	(152,556)
Finance costs	*7*	**(32,536)**	(35,793)
Finance income	*8*	**10,511**	5,693
Unrealised gain from change of fair value of convertible bonds	*14*	**27,405**	362,486
(Loss)/profit before income tax		**(84,164)**	82,224
Income tax credit/(expense)	*9*	**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)	*10*		
— basic		**(4.9)**	4.5
— diluted		**(4.9)**	(16.9)
Dividends		**—**	—

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2010** *RMB'000*	Audited 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,314,590**	3,298,486
Intangible assets		**487,947**	498,058
Land use rights		**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		**1,043,775**	988,578
Trade and other receivables	*11*	**1,038,239**	933,377
Other loans and receivables		**—**	64,300
Restricted cash		**134,261**	32,054
Cash and cash equivalents		**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		**114**	114
Share premium		**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

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	13	**—**	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	14	**—**	698,233
Total non-current liabilities		**74,078**	1,058,138
Current liabilities			
Trade and other payables	12	**756,280**	735,185
Taxation payable		**10,332**	32,076
Deferred revenue		**1,372**	35,003
Convertible bonds	14	**692,883**	—
Borrowings	13	**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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2010

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 13 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.

The following new standard, revised standards and amendments to standards are mandatory for the first time 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.

Other than those above, the adoption of the above revised standard and amendment to standard did not have any significant financial impact to the Group.

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	2009
	RMB'000	*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

5. Other income — net

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	*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

6. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Raw materials used in inventories	**737,321**	488,148
Advertising and other marketing expenses	**367,409**	255,776
Employee benefit expense	**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	**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

7. Finance costs

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**18,967**	10,842
— Interest expense relating to Convertible Bonds	**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%

8. Finance income

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*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	**2,970**	204
	10,511	5,693

9. Income tax (credit)/expense

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*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.

10. (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	2009
	RMB'000	*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

(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	2009
	RMB'000	*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.*

11. Trade and other receivables

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Trade receivables	**247,569**	333,587
Trade receivables	**263,987**	350,005
Less: provision for impairment of receivables	**(16,418)**	(16,418)
Other receivables	**52,616**	34,690
Prepayments for raw materials and others	**523,493**	524,605
Bills receivable	**14,152**	40,495
Value-added tax receivables	**200,409**	—
	1,038,239	933,377

The carrying amounts of receivables approximate their fair value.

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:

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Within 3 months	**157,472**	307,809
Between 4 and 6 months	**79,579**	22,755
Between 7 and 12 months	**13,527**	7,515
Between 1 and 2 years	**11,694**	11,926
Over 2 years	**1,715**	—
	263,987	350,005

12. Trade and other payables

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Trade payables	**428,989**	319,077
Other payables	**327,291**	416,108
	756,280	735,185

Details of aging analysis of trade payables are as follows:

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Within 3 months	**363,502**	308,378
Between 4 and 6 months	**54,653**	4,671
Between 7 and 12 months	**6,307**	1,717
Over 1 year	**4,527**	4,311
	428,989	319,077

13. Borrowings

Bank borrowings

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

14. 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.

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%.

	RMB'000
Liability component as at 31 December 2009	546,540
Add: Interest expense for the period (note 7)	31,119
Less: Interest payment during the period	(6,094)
Unrealised exchange gain (note 8)	(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.

15. 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.

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.

Market share

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.”

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.

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.

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.

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.

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.

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.

Income tax credit/expense

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.

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 a relatively 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.

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.

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.

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".

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.

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.

ACKNOWLEDGEMENT

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

By order of the Board
Zhu Xinli
Chairman

Beijing, 30 August 2010

Our Directors are Mr. ZHU Xinli, Mr. JIANG Xu and Mr. Lee Wen-chieh as executive Directors, Mr. Andrew Y. Yan as non-executive Director and Mr. WANG Bing, Ms. ZHAO Yali, Mr. Qi Daqing and Mr. SONG Quanhou as independent non-executive Directors.

* *For identification purpose only*