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

2011 Interim Report

About Us

China Huiyuan Juice Group Limited (the "Company", together with its subsidiaries, the "Group" or "Huiyuan Juice" or "Huiyuan"), a leading fruit and vegetable juice producer 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 9,708 employees. Juice products of Huiyuan Juice are categorized into 100% juice, nectars and juice drinks based on juice concentration. According to the research on Chinese retailing sector conducted by Nielsen in the first half of 2011, the Group's 100% juice and nectars continue to rank as the market leader with market shares of 52.6% and 42.1%, respectively, each by sales volume. Most of the products of the Group are sold under the brand of "Huiyuan". The Group believes that "Huiyuan" juice is one of the most familiar brand and recognized fruit and vegetable juices 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
Ms. MA Sau Kuen Gloria

Authorized Representatives
Mr. ZHU Xinli
Ms. MA Sau Kuen Gloria

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
Bank of Communications
Bank of China
Standard Chartered Bank

Financial Highlights

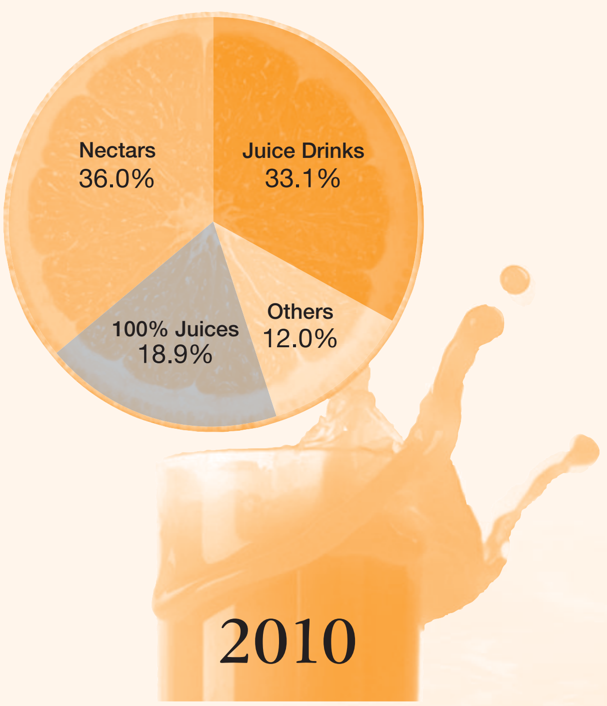
Comparison of the unaudited consolidated results for the first half of 2011 and the first half of 2010

	For the 6 months ended 30 June (RMB '000) 2011	2010
Revenue	**1,826,715**	1,481,117
Cost of sales	**1,350,623**	936,571
Gross profit	**476,092**	544,546
Fair value change in the conversion rights of Convertible Bonds	**173,562**	27,405
Profit/(loss) attributable to equity holders	**149,113**	(72,747)
Adjusted profit/(loss) attributable to equity holders (Note 1)	**9,290**	(69,233)
EBITDA	**184,768**	49,551
Earnings/(losses) per share (RMB cents) (Note 2) — basic	**10.1**	(4.9)
— diluted	**4.4**	(4.9)

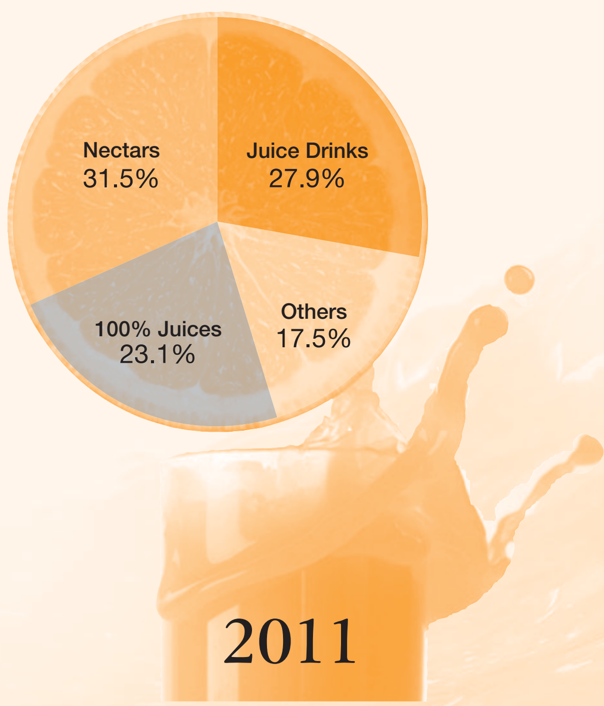
Note 1: The adjusted profit attributable to equity holders excludes interest expense on the Convertible Bonds, change in fair value of conversion rights of the Convertible Bonds, exchange gain relating to the Convertible Bonds and amortization of employee share option scheme.

Note 2: Please refer to Note 25 to the Consolidated Interim Financial Information for the calculation of earnings/(losses) per share.

Sales by product



For the 6 months ended 30 June



For the 6 months ended 30 June

Financial ratio (Based on the unaudited consolidated results for the first half of 2011 and the first half of 2010)

	For the 6 months ended 30 June		
	2011	2010	Change
Return on equity	**2.9%**	-1.5%	4.4%
Return on assets	**1.6%**	-0.8%	2.4%
Gearing ratio (total debt/total equity) (Note 1)	**54.9%**	70.3%	-15.4%

Operating ratio (Note 2)

	For the 6 months ended 30 June		
	2011	2010	Change
Turnover of finished goods	**26 days**	40 days	-14 days
Turnover of raw materials	**82 days**	160 days	-78 days
Turnover of trade receivables	**43 days**	32 days	+11 days
Turnover of trade payables	**124 days**	84 days	+40 days

Note 1: The total debt includes total borrowings of RMB1,956.7 million as at 30 June 2011 (as at 30 June 2010: RMB2,599.1 million) and convertible bonds of RMB879.0 million as at 30 June 2011 (as at 30 June 2010: RMB692.9 million).

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

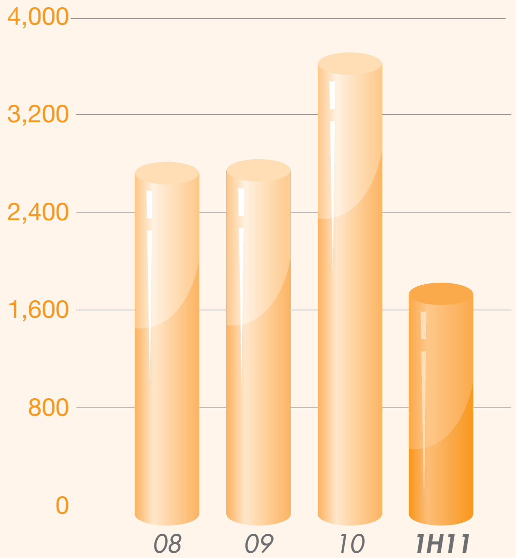
The turnover of raw materials as at 30 June is calculated as the balance of raw materials as at 30 June divided by raw materials used for the year multiplied by 182.5 days (365 divided by 2).

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

The turnover of trade payables as at 30 June is calculated as the total balance of trade payables as at 30 June divided by cost of sales for the year multiplied by 182.5 days (365 divided by 2).

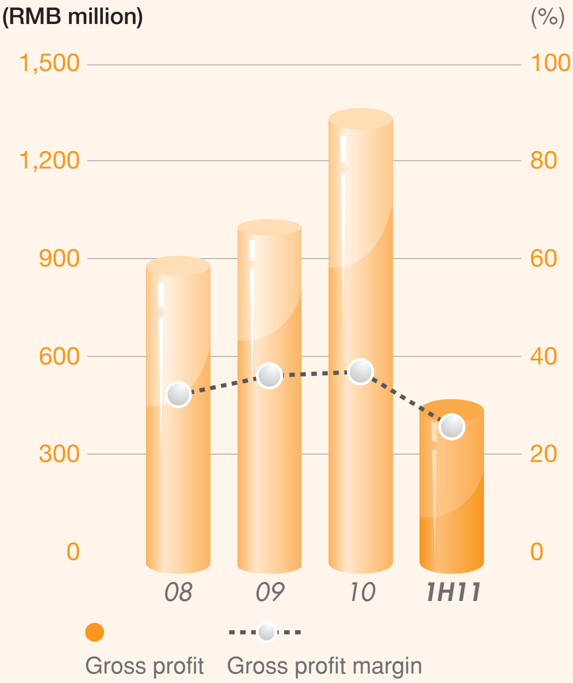
Sales

(RMB million)



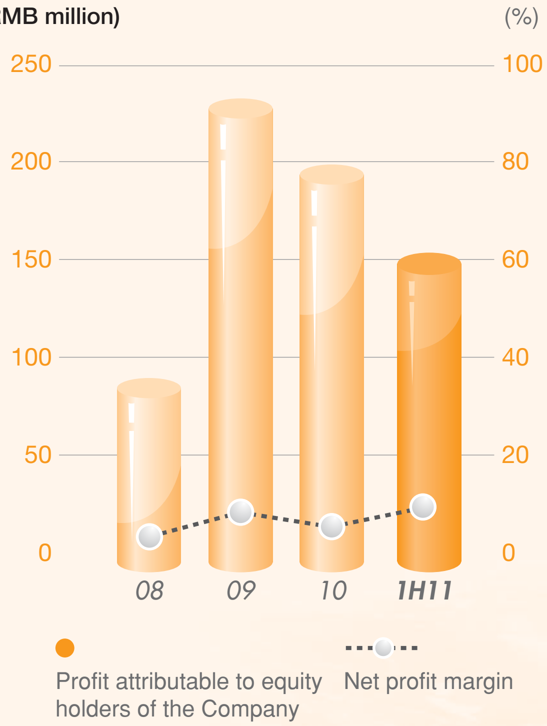
Gross profit

(RMB million)



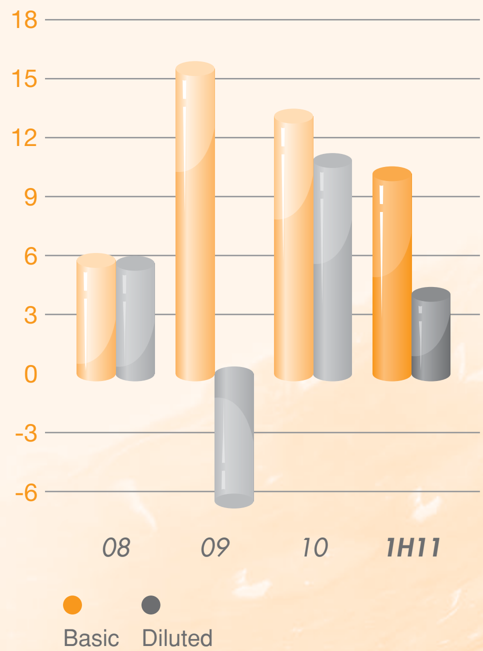
Profit Attributable to Equity Holders of the Company

(RMB million)



Earnings per Share

(RMB cents)



Management Discussion and Analysis

Market Review

Review of the China Juice Beverage Market

In the first half year of 2011, China recorded a 9.6% GDP growth and a 5.4% increase in CPI, respectively. The juice beverage market in China continued to grow steadily during the same period as evidenced by the steady increase in domestic economy. The increase in urban population and disposable income will continue to drive consumers' demand for natural and healthy beverage products such as fruit and vegetable juices. The production and profits of the fast moving consumer goods and beverage industries have been increasing continuously.

According to Nielsen, China recorded sales of 1.9 billion liters of fruit and vegetable juices in the first half year of 2011, representing a 14.8% increase compared with the first half year of 2010. In terms of market share, Huiyuan remains the market leader in 100% juice and nectars in China. The following table shows Huiyuan's market share in each of 100% juice, nectars and juice drinks in China for the first half year of 2011.

	Market Share %	
For the first half year of 2011	**By Volume**	**By Value**
100% Juice		
Huiyuan Juice	52.6	47.0
Second ranked competitor	17.2	22.0
Third ranked competitor	9.9	8.9
Fourth ranked competitor	3.1	3.2
Fifth ranked competitor	3.0	3.7
Sixth ranked competitor	2.4	2.8
Next two competitors	4.3	5.1
26–99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	42.1	38.3
Second ranked competitor	36.1	30.3
Third ranked competitor	4.1	6.0
Fourth ranked competitor	1.8	2.1
Fifth ranked competitor	1.0	1.9
Sixth ranked competitor	0.5	1.3
Next two competitors	1.0	1.7
25% & Below Concentration		
First ranked competitor	35.9	38.5
Second ranked competitor	18.6	16.4
Third ranked competitor	17.5	14.9
Fourth ranked competitor	7.1	8.3
Fifth ranked competitor	6.3	6.5
Huiyuan juice (Note 3)	4.8	3.7
Next two competitors	2.2	3.7

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", "Juizee Pop", "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 manufacturers 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 the Group's nationwide strategic production locations and sales network as well as our strong product development capability. The increase in the sales of the Group for the six months ended 30 June 2011 was largely attributed to an increase in the sales of all of the Group's core juice products, especially the sales of small-sized 100% Juice and large-sized juice drinks launched in the report period.

In the six months ended 30 June 2011, the sales of the Group increased by 23.3% to RMB1,826.7 million as compared with the same period of 2010. The adjusted profit attributable to the equity holders of the Company increased by 113.4% from a loss of RMB69.2 million for the six months ended 30 June 2010 to RMB9.3 million for the same period in 2011.

In the first half year of 2011, the Group continued to focus on improving the efficiency of sales network and implementing flexible marketing strategies, enhancing communications with the distributors and consumers, and sales of the core products to meet consumer needs. In the future, we will strive to maintain as a market leader and further expand our market share.

During the period under review, the Group entered into a contract with China Lunar Exploration Program and Aerospace Engineering Center (中國探月與航天工程中心) and became the only authorized supplier of fruit juice beverage products for the China Lunar Exploration Program and Deep Space Exploration Program (中國月球及深空探測工程). The Group received several awards, including "Netizen Most Favorite Beverage Brand"(網友最喜愛的飲料品牌), "Reliable Food Brand for Consumer"(消費者信賴商品) and "Trusted Brand 2011 Platinum Award"(信賴品牌2011白金獎). Such awards were a recognition of the Group's persistent operating philosophy and continued success.

Products

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

During the period under review, the Group focused on sales of existing core products. At the same time, we also launched new series of products including 200ml slim packaging of 100% juice, 350ml GuoXianmei of Nectar and 1.8L Juizee Pop of juice drink.

Production

In the past few years, the Group has established an extensive network of large scale production plants throughout China. In the first half year of 2011, 14 production lines put into trial operation. As at 30 June 2011, the Group has accumulated a total annual production capacity of 5 million tonnes. The Directors believes that with this first mover advantage, the Group is well positioned to capture the expected strong demand for juice and beverage drinks in China in the future.

Distribution
In addition to quality products and advanced production facilities, a wide and comprehensive distribution network is also essential for increasing sales volume. In the period, the Group optimized the sales team and the distribution network for the purposes of improving efficiency. As of 30 June 2011, the Group had approximately 4,170 sales representatives and 4,423 distributors.

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 in China to further enhance the consumers' brand awareness of "Huiyuan" and launched advertising activities on popular internet portals and TV stations including "Sohu" and "Avenue of Star (星光大道)".

Community Activities and Corporate Social Responsibilities
The Group strongly values its corporate social responsibilities. The Group continues to adhere to its corporate mission of maintaining society's well-being while striving to supply products of the highest quality.

Operating Results

Overview
The revenue of the Group increased by 23.3% from RMB1,481.1 million for the six months ended 30 June 2010 to RMB1,826.7 million for the same period in 2011. The Group recorded an adjusted a profit attributable to the equity holders of the Company of RMB9.3 million for the six months ended 30 June 2011 as opposed to a loss of RMB69.2 million for the same period in 2010, representing an increase of 113.4%.

Sales
Sales of the Group's core juice products, comprising 100% fruit juices, nectars and juice drinks, increased by 15.6% from RMB1,303.8 million for the six months ended 30 June 2010 to RMB1,507.4 million for the same period in 2011, attributed to an increase in sales of all of the Group's core juice products.

Sales of 100% fruit juices, which accounted for 23.1% of the Group's total sales, increased by 51.0% from RMB280.0 million for the first six months ended 30 June 2010 to RMB422.9 million for the same period in 2011, attributed to a 32.0% increase in sales volume and a 14.4% increase in the average selling price. The Group's market share in 100% fruit juices continues to maintain its leading position with a 52.6% market share by sales volume for the first half year of 2011.

Sales of nectars, which accounted for 31.5% of the Group's total sales, increased by 8.0% from RMB532.9 million for the six months ended 30 June 2010 to RMB575.7 million for the same period in 2011, attributed to a 3.8% increase in sales volume and a 4.1% increase in the average selling price. The Group has maintained its leading position in China with a 42.1% market share by sales volume for the first half year of 2011.

Sales of juice drinks, which accounted for 27.9% of the Group's total sales, increased by 3.6% from RMB490.9 million for the six months ended 30 June 2010 to RMB508.8 million for the same period in 2011. This increase was primarily attributed to a 11.8% increase in the average selling price, which was partially offset by a 7.3% decrease in the sales volume.

Sales of other beverage products increased by 80.1% from RMB177.3 million for the six months ended 30 June 2010 to RMB319.3 million for the same period in 2011, primarily attributed to the increase in sales of bottled tea and water products.

Cost of Sales

Cost of sales increased by 44.2% from RMB936.6 million for the six months ended 30 June 2010 to RMB1,350.6 million for the same period in 2011. The increase in cost of sales was primarily due to the increase in sales and the raw material price rise. The average price of the principal raw material increased 27.9% compared to the same period of 2010.

Gross Profit

Gross profit decreased by 12.6% from RMB544.5 million for the six months ended 30 June 2010 to RMB476.1 million for same period in 2011, primarily attributed to a 44.2% increase in the cost of sales. Gross profit margin decreased by 10.7% from 36.8% for the six months ended 30 June 2010 to 26.1% for the same period in 2011 mainly due to a 27.9% increase in the average price of the principal raw materials.

Other Income

Other income increased by 413.1% from RMB24.9 million for the six months ended 30 June 2010 to RMB127.9 million for the same period in 2011, primarily attributed to (i) a gain of RMB25.3 million incurred by sales of raw materials and scrap and (ii) an amount of RMB91.3 million subsidy income.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 7.8% from RMB517.3 million for the six months ended 30 June 2010 to RMB477.0 million for the same period in 2011, mainly due to continuous improvement of efficiency of sales network and the decrease of direct advertisement expenditure.

Administrative Expenses

Administrative expenses increased by 9.1% from RMB141.7 million for the six months ended 30 June 2010 to RMB154.6 million for the same period in 2011. The increase in administrative expenses was primarily due to the increase in the provision for impairment of raw materials and finished goods and provision of receivable, which was partially offset by the decrease of office expenses, salary and other administrative expenses.

Finance income/costs

The Group recorded net finance income of RMB168.3 million for the six months ended 30 June 2011 as compared to a net finance income of RMB5.4 million for the same period in 2010, primarily as a result of a RMB173.6 million gain in changes in fair value of the convertible bonds during the six months ended 30 June 2011 as compared to a RMB27.4 million gain in changes in fair value of the convertible bonds in the same period of 2010, and a RMB37.0 million increase in foreign exchange gain, which is partially offset by an increase of interest expenses of RMB21.0 million which resulted from the increase of bank borrowings and issuance of the 2010 Convertible Bonds. (as defined below)

Income Tax Credit

Income tax credit decreased by 29.5% from RMB11.9 million in the six months ended 30 June 2010 to RMB8.4 million for the same period in 2011, primarily due to the increase in operating profits, which was partially offset by the recognition of RMB17.2 million deferred tax assets for unutilized tax loss recorded in the first half year of 2011.

Profit (Loss) Attributable to the Equity Holders of the Company

As a result of the foregoing, the Group recorded RMB149.1 million in profit attributable to the equity holders for the six months ended 30 June 2011 as compared with a RMB72.2 million loss attributable to the equity holders for the same period in 2010, representing an increase of 306.4%. The adjusted profit/(loss) attributable to the equity holders of the Company increased by 113.4% from the RMB69.2 million adjusted loss attributable to the equity holders of the Company for the six months ended 30 June 2010 to an adjusted profit attributable to the equity holders of the Company of RMB9.3 million for the same period in 2011.

The margin for the adjusted profit attributable to the equity holders of the Company was 0.5% for the six months ended 30 June 2011 as compared with the margin for the adjusted loss attributable to the equity holders of the Company of 4.7% for the same period in 2010.

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.

In 29 April 2011, the Company issued the 4% convertible bonds due 2016 (the "**2016 Convertible Bonds**") in an aggregate principal amount of US$150,000,000. On 28 June 2011, the Company redeemed the outstanding convertible bonds of US$65,000,000 issued in 2006 upon maturity. As at 30 June 2011, the Group had an aggregate of RMB1,956.7 million in outstanding bank loans and RMB879.0 in outstanding convertible bonds as compared to RMB2,599.1 million of outstanding bank loans and RMB692.9 million of outstanding convertible bonds as at 30 June 2010. The gearing ratio (total debt (including convertible bonds)/total equity) of the Group was 54.9% as at 30 June 2011, representing a decrease of 15.4% as compared with 70.3% as at 30 June 2010.

The Group's indebtedness includes bank loans and convertible bonds. As at 30 June 2011, the Group had the following indebtedness:

	Repayable within one year (RMB in million)	Repayable after one year (RMB in million)	Total (RMB in million)
Bank loans	477.3	1,479.4	1,956.7
Convertible bonds	—	879.0	879.0
Total	477.3	2,358.4	2,835.7
Analysed as:			
Secured	—	—	—
Unsecured	477.3	2,358.4	2,835.7

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 160 days during the six months ended 30 June 2010 to 82 days during the same period in 2011. The decrease in raw materials turnover days was due to an increase in production volume and disposal of certain slow moving materials. Turnover days for trade receivables increased from 32 days during the six months ended 30 June 2010 to 43 days during the same period in 2011.

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2011, the Group had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 30 June 2011, 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 2011, the Group did not have any capital leases.

Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, convertible bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in the first half year of 2011 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2011, assuming the exchange rate of RMB increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2011 would have been decreased/increased by RMB17,494,000 (as at 30 June 2010: RMB12,053,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated convertible bonds and bank borrowings.

Prospects and Development Strategies

The Directors believe that the growth potential of the China juice market will maintain its strong momentum as it is expected to continue to benefit from the robust growth of the PRC economy. In particular, the increasing income and consumption of residents in tier-2 cities and towns in the future will become a driving force of the juice beverage market.

Looking forward, in the PRC juice beverage market which features both rapid growth potential and fierce competition, the Group will continue to actively focus on the development of 100% juice and nectars and explore the market, in order to facilitate growth of sales and strengthen its leading position in 100% juice and nectars markets. In the face of rising raw material prices, the Group will enhance cost control by adjusting product structure and optimizing product mix and sales and distribution network management to relieve the pressure of cost increase. The Group will adopt flexible marketing strategies in line with the rapid development of the China juice market to cope with the ever changing market environment. Capitalizing on its brand awareness and excellent innovative capability, the Group will maintain communication with the distributors and consumers to develop “Huiyuan” as the leading brand in the China juice market and maximize returns for the shareholders.

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 2011.

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 2011, there were three members of the committee, namely Mr. Qi Daqing (Chairman), Mr. Wang Bing and Mr. Song Quanhou, whom are all independent non-executive directors of the Company.

The Financial Management and Audit Committee has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2011 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 2011 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 2011, 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 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

Details of the Shares held						
Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	–	–	619,136,588[a]	–	619,136,588[a]	41.89%
			110,161,215[b]		110,161,215[b]	7.45%
Andrew Y. Yan[c]	–	–	337,497,501	–	337,497,501	22.8%

Details of outstanding options granted under the Share Option Scheme								
Name of Director	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding option as at 1 January 2011	Number of underlying shares comprised in the options granted during the six months ended 30 June 2011	Number of underlying shares comprised in the options cancelled or lapsed during the six months ended 30 June 2011	Number of underlying shares omprised in the options exercised during the six months ended 30 June 2011	Number of underlying shares comprised in the outstanding options as at 30 June 2011
Qi Daqing	13 July 2010	13 July 2020	5.426	150,000	–	–	–	150,000

Notes:

(a) These shares were beneficially owned by China Huiyuan Holdings which is a wholly-owned by Mr. Zhu Xinli. 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) Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.

(c) These shares were beneficially owned by Sino Fountain Limited, which is indirectly wholly-owned by SAIF III GP Capital Ltd, through its indirect wholly-owned shareholding of SAIF III GP, L.P. SAIF III GP Capital Ltd. is indirectly wholly-owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by Sino Fountain Limited.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentives for the Directors and eligible employees.

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:

(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 2011, 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. As at the date of this report, all such options have lapsed.

Movement of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the outstanding option as at 1 January 2011	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2011	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2011	Number of underlying shares comprised in the options outstanding as at 30 June 2011
Ng Yuk Keung	30 January 2007	22 February 2017	6.00	700,000	–	–	700,000 (Note 1)
Dong Ying	30 January 2007	22 February 2017	6.00	300,000	–	–	300,000 (Note 1)
				1,000,000	–	–	1,000,000 (Note 1)

Note 1: The options lapsed in July 2011 due to termination of employment.

2. Share Option Scheme

The Share Option Scheme was approved 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.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price (HK$)	Number of underlying shares comprised in the outstanding option as at 1 January 2011	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2011	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2011	Number of underlying shares comprised in the options outstanding as at 30 June 2011
Qi Daqing	13 July 2010	13 July 2020	5.426	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

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

As at 30 June 2011, 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)]	619,136,588	41.89%
	110,161,215	7.45%
Huiyuan Holdings[(a)]	619,136,588	41.89%
China Huiyuan Holding[(a)]	619,136,588	41.89%
Entie Commercial Bank	337,497,501	22.84%
Sino Fountain Limited[(b)]	337,497,501	22.84%
SAIF III GP Capital Ltd.[(b)]	337,497,501	22.84%
Mr. Andrew Y. Yan[(b)]	337,497,501	22.84%
Huiyuan Employees Benefit Co., Limited[(c)]	110,161,215	7.45%
Ms. Shi Xiuping[(c)]	110,161,215	7.45%
Mr. Zhao Jinlin[(c)]	110,161,215	7.45%

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) Sino Fountain Limited is indirectly wholly owned by SAIF III GP Capital Ltd., through its indirect wholly owned shareholding of SAIF III GP, L.P. SAIF III GP Capital Ltd is indirectly wholly owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by SAIF III GP Capital Ltd.

(c) Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.

Save as disclosed above, as at 30 June 2011, 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.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2011, 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 2011, the Group had 9,708 employees (31 December 2010: 11,433 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 2011, 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.

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 2011, 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 2011.

On behalf of the board
Zhu Xinli
Chairman

Beijing, 18 August 2011

Condensed Consolidated Balance Sheet

As at 30 June 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,838,313**	5,478,331
Intangible assets	7	**467,811**	477,872
Land use rights	8	**766,955**	563,514
Deferred tax assets		**84,972**	54,765
Long-term receivable		**5,100**	5,219
Total non-current assets		**7,163,151**	6,579,701
Current assets			
Inventories	9	**987,280**	1,068,625
Trade and other receivables	10	**919,048**	1,009,732
Restricted cash	11	**28,013**	150,888
Cash and cash equivalents	12	**143,641**	191,983
Total current assets		**2,077,982**	2,421,228
Total assets		**9,241,133**	9,000,929
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	**115**	115
Share premium	13	**3,776,401**	3,776,401
Other reserves		**232,494**	231,593
Retained earnings			
— Proposed final dividends		**—**	48,772
— Others		**1,153,404**	955,519
Total equity		**5,162,414**	5,012,400

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	17	**1,479,422**	1,572,571
Deferred government grants		**85,225**	64,752
Long-term payable for land use rights		**5,389**	6,662
Long-term payable for license fee		**—**	1,325
Convertible bonds	18	**879,006**	—
Total non-current liabilities		**2,449,042**	1,645,310
Current liabilities			
Trade and other payables	16	**1,111,421**	913,979
Taxation payable		**23,015**	57,282
Deferred revenue		**17,982**	18,460
Convertible bonds	18	**—**	605,249
Borrowings	17	**477,259**	748,249
Total current liabilities		**1,629,677**	2,343,219
Total liabilities		**4,078,719**	3,988,529
Total equity and liabilities		**9,241,133**	9,000,929
Net current assets		**448,305**	78,009
Total assets less current liabilities		**7,611,456**	6,657,710

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For six months ended 30 June 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Revenue	5	**1,826,715**	1,481,117
Cost of sales	20	**(1,350,623)**	(936,571)
Gross profit		**476,092**	544,546
Other income — net	19	**127,893**	24,926
Selling and marketing expenses	20	**(476,970)**	(517,272)
Administrative expenses	20	**(154,604)**	(141,744)
Finance costs	22	**(53,566)**	(32,536)
Finance income	23	**48,301**	10,511
Unrealised gain from change of fair value of convertible bonds	18	**173,562**	27,405
Profit /(loss) before income tax		**140,708**	(84,164)
Income tax credit	24	**8,405**	11,917
Profit /(loss) for the period		**149,113**	(72,247)
Other comprehensive income for the period		**—**	—
Total comprehensive income for the period		**149,113**	(72,247)
Attributable to:			
Equity holders of the Company		**149,113**	(72,247)
		RMB Cents per share	**RMB Cents per share**
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company during the period			
(expressed in RMB cents per share)	25		
— basic		**10.1**	(4.9)
— diluted		**4.4**	(4.9)
Dividends	26	**—**	—

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2011
(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 2011		115	3,776,401	200,540	31,053	1,004,291	5,012,400
Comprehensive income							
Profit for the period		–	–	–	–	149,113	149,113
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	149,113	149,113
Transactions with owners in their capacity as owners							
Dividends		–	–	–	–	–	–
Share-based payment expenses	14	–	–	–	901	–	901
Total transactions with owners		–	–	–	901	–	901
Balance at 30 June 2011		115	3,776,401	200,540	31,954	1,153,404	5,162,414
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

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For six months ended 30 June 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**327,060**	(212,138)
Interest paid		**(58,641)**	(22,577)
Interest received		**2,367**	1,561
Income tax paid		**(56,069)**	(22,806)
Cash flows generated from/(used in) operating activities — net		**214,717**	(255,960)
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		**(404,052)**	(1,033,263)
Proceeds on disposal of PPE		**2,863**	251
Purchase of land use rights		**(67,553)**	(19,418)
Decrease/(increase) in restricted cash		**122,875**	(102,207)
Decrease in other loans and receivables		**—**	64,300
Cash flows used in investing activities — net		**(345,867)**	(1,090,337)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		**1,041,260**	2,188,237
Repayments of borrowings from banks and other financial institution		**(1,377,471)**	(272,640)
Redemption of Convertible Bonds		**(542,988)**	—
Proceeds from issuance of CB		**962,700**	—
Dividends paid to the Company's shareholders		**—**	(58,753)
Cash flows generated from financing activities — net		**83,501**	1,856,844
Exchange loss on cash and cash equivalents		**(693)**	(795)
Net (decrease)/increase in cash and cash equivalents		**(48,342)**	509,752
Cash and cash equivalents at the beginning of the period	12	**191,983**	717,442
Cash and cash equivalents at end of the period	12	**143,641**	1,227,194

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

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 18 August 2011.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standards ("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 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 annual financial statements for the year ended 31 December 2010, 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 2011:

- Amendment to IAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

- IFRS 7 'Financial instruments: Disclosures', clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The amendment is applicable to annual periods beginning on or after 1 January 2011 with early adoption permitted. The clarification does not have material impact on the group's financial results for the period.

- IAS 1 'Presentation of financial statements', confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. The clarification is effective for annual periods beginning on or after 1 January 2011. The clarification does not have any impact on the group's financial results for the period.

- IFRIC — Int 13 'customer loyalty programmes' clarifies that when measuring the fair value of an award credit, entities should take into account both the value of the award that would be offered to customers and the proportion of the award credit is not expected to be redeemed by customers. The clarification is effective for annual periods beginning on or after 1 January 2011. The clarification does not have a material impact on the group's financial results for the period.

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 2011 but are not relevant to the Group's operations:

- IAS 32 (Amendment), 'Classification of rights issue' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as the Group only issued foreign-currency-dominated bonds.

- IFRIC — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2011. This is not relevant to the Group, as it is an existing IFRS preparer.

- IAS 24 (Revised), 'Related party disclosures' is effective for annual periods beginning on or after 1 January 2011. This is not relevant to the Group, as it is not a government related entity.

- Amendment to IFRIC Int — 14, 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not relevant to the Group, as it has no prepayment of a minimum funding.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB, except for amendment to IAS 34 'Interim financial reporting', IFRS 7 'Financial instruments: Disclosures', IAS 1 'Presentation of financial statements' and IFRIC — Int 13 'customer loyalty programmes' as disclosed in note 3(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted by the group:

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

- IAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets' (effective from 1 January 2012).

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 2011 and have not been early adopted by the group: (continued)

- IFRS 7 (Amendment) 'Disclosures — Transfers of financial assets' (effective from 1 July 2011).

- IFRS 10 'Consolidated financial statements' (effective from 1 January 2013)

- IFRS 13 'Fair value measurements' (effective from 1 January 2013).

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 not mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and are not relevant for the Group's operations. For this reason and as otherwise the disclosures would be of excessive length, they are not disclosed.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk.

(a) Foreign exchange risk

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, Convertible Bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in the first half year of 2011 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2011, assuming the exchange rate of RMB increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2011 would have been decreased/increased by RMB17,494,000 (as at 30 June 2010: RMB12,053,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Capital risk management

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

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

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated both as the total borrowing (including or excluding Convertible Bonds) divided by capital and reserves attributable to equity holders of the Company.

As at 30 June 2011, the debt-to-equity ratio was 54.9% (including Convertible Bonds) (As at 30 June 2010: 70.3%), and 37.9% (excluding Convertible Bonds) respectively (As at 30 June 2010: 55.5%).

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

4.2 Fair value estimation

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

4 Financial risk management (continued)

4.2 Fair value estimation (continued)

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	—	—	253,247	253,247

The fair value of conversion rights of the Convertible Bonds, together with redemption rights (considered as a single derivative) (the "conversion rights") was valued by estimating the value of the whole bond with and without the conversion feature. As for the change in value of level 3 instruments for the six months ended 30 June 2011, please refer to Note 18.

5 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	
	2011 RMB'000	2010 RMB'000
100% juice products	**422,852**	280,034
Nectars	**575,738**	532,847
Juice drinks	**508,812**	490,912
Water and other beverage products	**319,313**	177,324
	1,826,715	1,481,117

5 Revenue and segment information (continued)

The Group made barter sales of approximately RMB9,728,000 during the six months ended 30 June 2011 in exchange for transportation vehicles and advertising services (corresponding period in 2010: RMB18,463,000).

6 Property, plant and equipment

	Unaudited RMB'000
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	**5,478,331**
Additions	**509,455**
Disposals	**(3,485)**
Depreciation charge	**(145,988)**
Closing net book amount as at 30 June 2011	**5,838,313**
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	3,298,486
Additions	1,133,088
Disposals	(3,434)
Depreciation charge	(113,550)
Closing net book amount as at 30 June 2010	4,314,590

There is no property, plant and equipment pledged as security for borrowings as at 30 June 2011 (31 December 2010: nil).

7 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 2011						
Opening net book amount as at 1 January 2011	**174,612**	**166,067**	**134,668**	**2,080**	**445**	**477,872**
Additions	**–**	**–**	**–**	**–**	**15**	**15**
Amortisation (a)	**(6,545)**	**–**	**(2,965)**	**(537)**	**(29)**	**(10,076)**
Closing net book amount as at 30 June 2011	**168,067**	**166,067**	**131,703**	**1,543**	**431**	**467,811**
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

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

8 Land use rights

	Unaudited RMB'000
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	**563,514**
Additions	**213,110**
Amortisation	**(7,992)**
Disposals	**(1,677)**
Closing net book amount as at 30 June 2011	**766,955**
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

There are no land use rights pledged as security for borrowings as at 30 June 2011 (31 December 2010: nil).

9 Inventories

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Raw materials	**515,748**	693,330
Finished goods	**190,586**	169,446
Spare parts and consumable materials	**280,946**	205,849
	987,280	1,068,625

The cost of inventories recognised as expenses and included in "cost of sales" amounted to RMB1,144,118,000 for the six months ended 30 June 2011 (corresponding period in 2010: RMB737,321,000).

10 Trade and other receivables

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Trade receivables	**386,888**	392,238
Related parties (a)	**342**	1,242
Third parties (a)	**386,546**	390,996
Bills receivable — third parties and others	**41,022**	45,642
Prepayments of raw materials and others	**408,515**	508,776
Related parties	**48,944**	—
Third parties	**359,571**	508,776
Other receivables	**82,623**	63,076
Related parties	**57,663**	47,365
Third parties	**24,960**	15,711
	919,048	1,009,732

The carrying amounts of receivables approximate their fair value.

10 Trade and other receivables (continued)

(a) Credit risk with respect to trade receivables is not significant, as the Group has a large number of customers, which are widely dispersed within the PRC. 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. As at 30 June 2011 and 31 December 2010, the aging analysis of the trade receivables was as follows:

— Third parties

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 3 months	**269,359**	312,239
Between 4 and 6 months	**84,981**	64,502
Between 7 and 12 months	**32,206**	13,193
Between 1 and 2 years	**—**	1,062
	386,546	390,996

— Related parties

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 3 months	**168**	1,242
Between 4 and 6 months	**174**	—
	342	1,242

11 Restricted cash

Restricted cash comprised letter of credit deposits for the purchasing of equipment.

12 Cash and cash equivalents

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Cash at banks and cash in hand		
Denominated in		
— Renminbi Yuan	**111,055**	284,652
— U.S. Dollar	**48,372**	34,243
— Euro	**9,979**	17,227
— Hong Kong Dollar	**2,230**	6,742
— Great Britain Pounds	**10**	—
— Australian Dollar	**8**	7
	171,654	342,871
Less: restricted cash (note 11)	**(28,013)**	(150,888)
	143,641	191,983

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 1 January 2011 and 30 June 2011	1,477,953	115	3,776,401	3,776,516

There is no change in share capital and share premium during six months ended 30 June 2011.

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.

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 2011	Number of options lapsed or cancelled during the 6 months ended 30 June 2011	Number of options exercised during the 6 months ended 30 June 2011	Number of options outstanding as at 30 June 2011	Date of expiry	Exercise price (HK$)
30 January 2007	1,000,000	–	–	1,000,000	22 February 2017	6.00

Note: The options lapsed in July 2011 due to termination of employment.

The Pre-IPO options outstanding as at 30 June 2011 have the following vesting dates and weighted average exercise price:

	Unaudited 30 June 2011		Audited 31 December 2010	
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 2011, 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.

(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.

Movement of the options granted under the share option scheme during the period ended 30 June 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2011	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed or cancelled during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the options outstanding as at 30 June 2011
Dr. Qi Daqing	13 July 2010	13 July 2020	5.426	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

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 2011 amounted to RMB901,000 (corresponding period in 2010: RMB2,270,000).

15 Employee benefit plan

(a) Employee Cash Benefit Plan

On 28 July 2010, the Company entered into a deed of trust and indemnity ("Deed of Trust") with the controlling shareholder, Mr. Zhu and the other two trustees (collectively, the "Trustees") who are members of the senior management of the Company, for the establishment of a trust (the "Trust") to hold the net cash proceeds (if any) from the exercise of the call option granted by SAIF* over certain Shares purchased by SAIF from Danone, for the benefit of certain classes of the employees of the Company (the "Employee Beneficiaries").

On 28 July 2010, the Remuneration and Nomination Committee has approved an employee cash benefit incentive plan (the "Employee Cash Benefit Plan") to identify the classes of the Employee Beneficiaries who may be eligible for discretionary grants out of such net cash proceeds. Only certain classes of the employees who fulfilled the vesting conditions (including service condition) will become entitled to the Employee Cash Benefit Plan.

* The call option granted by SAIF: SAIF has granted to the Trust a call option to require SAIF, subject to certain conditions to sell (via a placing agent) an amount of shares equivalent to 7.0% or 7.5% of the Company's issued share capital. Net cash proceeds, if any, from the placing of the option shares after the deduction of the payment to SAIF of the price for the shares (calculated using pre-determined formula) and relevant expenses, or the equivalent cash compensation will be paid to the Trust to be granted to the Employee Beneficiaries. The exercise periods can be any time from the date on which the Company's audited accounts for the year ended 31 December 2012 become available to all the shareholders of the Company and the date which is 6 months after such date ("exercise periods")

(b) Fair value

The estimated fair value of the Employee Cash Benefit Plan is equal to the fair value of net cash proceeds from the call option granted by SAIF, which was estimated at 28 July 2010, the starting date of the Employee Cash Benefit Plan (service starting date). The fair value has been valued by an independent qualified valuer using the Binomial valuation model, which will be adjusted to the fair value at the grant date of the Employee Cash Benefit Plan in future.

The details of fair values as at the service starting date and significant inputs into the model were as follows:

	RMB'000
Estimated fair value of the Employee Cash Benefit Plan on 28 July 2010	104,165

15 Employee benefit plan (continued)

(b) Fair value (continued)

Service starting date	28 July 2010
Spot share price (HK$)	5.42
Strike price (HK$)	7.44
Expected volatility	45.75%
Maturity (years)	3
Interest rate	0.71%
Dividend yield	0.86%

Due to the uncertainties of various vesting conditions of the call option granted by SAIF, there was no expense related to the Employee Cash Benefit Plan charged to the income statement for the six months ended 30 June 2011.

16 Trade and other payables

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Trade payables (a)	**939,931**	726,445
Related parties	**545,020**	323,217
Third parties	**394,911**	403,228
Other payables	**171,490**	187,534
Related parties	**4,850**	4,584
Third parties	**166,640**	182,950
	1,111,421	913,979

16 Trade and other payables (continued)

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 3 month	**345,958**	368,625
Between 4 and 6 months	**28,658**	24,985
Between 7 and 12 months	**14,150**	4,647
Over 1 year	**6,145**	4,971
	394,911	403,228

— Related parties

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 3 months	**518,016**	271,775
Between 4 and 6 months	**19,820**	35,332
Between 7 and 12 months	**4,761**	16,110
Over 1 year	**2,423**	—
	545,020	323,217

17 Borrowings

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Bank borrowings		
Non-current	1,479,422	1,572,571
Current	477,259	748,249
Total borrowings	1,956,681	2,320,820
Unsecured	1,956,681	1,815,039

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	2,320,820
Additions	1,041,260
Repayments of borrowings	(1,405,399)
Closing amount as at 30 June 2011	1,956,681
Six months ended 30 June 2010	
Opening amount 1 January 2010	688,547
Additions	2,188,237
Repayments of borrowings	(277,655)
Closing amount as at 30 June 2010	2,599,129

17 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 2011 RMB'000	Audited 31 December 2010 RMB'000
— Within 6 months	**1,519,422**	1,985,002
— 6–12 months	**437,259**	335,818
	1,956,681	2,320,820

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 1 year	**477,259**	748,249
Between 1 and 2 years	**1,471,640**	1,572,571
Between 2 and 5 years	**7,782**	—
	1,956,681	2,320,820

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

	Unaudited 30 June 2011	Audited 31 December 2010
Bank borrowings	**5.08%**	4.16%

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 value.

The carrying amounts of current borrowings approximate their fair values.

18 Convertible bonds

(1) Convertible bonds due on 28 June 2011

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Convertible Bonds due 2011, liability components	–	529,499
Fair value of embedded derivatives	–	75,750
	–	605,249

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 "2006 Convertible Bond"), entered into an agreement (the "Agreement") pursuant to which the Company agreed to issue an aggregate of US$85,000,000 (equivalent to approximately RMB663,000,000) Convertible Bonds due 28 June 2011 (the "Convertible Bonds") and an additional US$675,000 (equivalent to approximately RMB5,265,000) convertible bonds as an interest payment in kind (the "PIK") to the holders of the June 2006 Convertible Bond in exchange for the surrender of the June 2006 Convertible Bonds by the holders. The Convertible Bonds have the same terms and conditions as the June 2006 Convertible Bonds.

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

The major terms and conditions of the Convertible Bonds are the same as those described in the annual financial statements for the year ended 31 December 2008.

As 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.

18 Convertible bonds (continued)

(1) Convertible bonds due on 28 June 2011 (continued)

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.

On 27 September 2010, bonds with a face value of US$6,000,000 have been converted into ordinary shares of the Company at the price of HK$5.1 per share. Accordingly, ordinary shares of the Company increased by 9,136,588 shares as at 31 December 2010.

On 28 June 2011, the Company redeemed the outstanding bonds with a face value of USD65,000,000 upon maturity.

	RMB'000
Fair value of conversion rights as at 31 December 2010	(75,750)
Less: Fair value of conversion rights as at 28 June 2011	—
Fair value changes of conversion rights	(75,750)

	RMB'000
Liability component as at 31 December 2010	529,499
Add: Interest expense for the period (note 22)	29,303
Less: Interest payment during the period	(5,231)
Less: Realised exchange gain (note 23)	(10,583)
Redemption of convertible bonds	(542,988)
Liability component as at 28 June 2011	—

18 Convertible bonds (continued)

(2) Convertible bonds due on 29 April 2016

breakdown of summary	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Convertible Bonds due 2016, liability components	**625,759**	—
Fair value of embedded derivatives	**253,247**	—
	879,006	—

On 29 April 2011, the Company issues an aggregate of US$150,000,000 convertible bonds due 29 April 2016 (the "2016 Convertible Bonds").

The major terms and conditions of the 2016 Convertible Bonds are as follows:

(a) Interest rate:

The Company shall pay an interest on the 2016 Convertible Bonds at 4.0% per annum.

(b) Conversion price:

The 2016 Convertible Bonds will be convertible into Shares at the initial Conversion Price of HK$6.812 per Share, subject to adjustments. The Conversion Price will be subject to adjustment for, amongst others, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities, issues at a certain discount to current market price, Change of Control and other usual adjustment events. The Conversion Price may not be reduced so that the Conversion Shares would fall to be issued at a discount to their par value.

(c) Maturity

Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each 2016 Convertible Bond on 29 April 2016 at 105.60% of its principal amount together with accrued and unpaid interest.

18 Convertible bonds (continued)

(2) Convertible bonds due on 29 April 2016 (continued)

(d) Redemption at the Option of the Company

The Company may:

(i) upon giving not less than 30 not more than 90 days' notice to the Bondholders, at any time after 29 April 2014 redeem all outstanding Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption, provided that the closing price of the Shares for each of the 30 consecutive Trading Days prior to the date upon which notice of such redemption is published, was at least 130% of the then Conversion Price in effect on each such Trading Day; or

(ii) upon giving not less than 30 not more than 60 days' notice to the Bondholders, at any time redeem all outstanding 2016 Convertible Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the 2016 Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

(e) Redemption at the Option of the holders

The Company will, at the option of the holder of any 2016 Convertible Bond, redeem all or some only of such holder's 2016 Convertible Bonds on 29 April 2014 at 103.19% of the principal amount, together with interest accrued to the date fixed for redemption.

18 Convertible bonds (continued)

(2) Convertible bonds due on 29 April 2016 (continued)

(f) Redemption for Delisting or Change of Control

Following the occurrence of a Change of Control or delisting of the Company (including suspension of trading of the Shares on the Stock Exchange for a period equal to or more than 30 consecutive Trading Days) (the "Relevant Event"), the holder will have the right to require the Company to redeem all, or but not some only, of such holder's 2016 Convertible Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the 2016 Convertible Bonds) as at such date, together with accrued but unpaid interest to the date fixed for redemption.

The fair value of the 2016 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 as the proceeds of the 2016 convertible bonds (net of transaction cost) minus the fair value of the embedded derivatives of the 2016 convertible bonds (defined as "conversion right" in the valuer's report). The fair value of the conversion rights and redemption rights (considered as a single derivative) (the "conversion right") was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the conversion right.

	RMB'000
Fair value of conversion rights as at 29 April 2011	351,059
Less: Fair value of conversion rights as at 30 June 2011	253,247
Fair value changes of conversion rights	(97,812)

The fair value change in the conversion right for the period ended 30 June 2011 is RMB97,812,000, which is recognised in the consolidated statement of comprehensive income and disclosed separately. The related interest expense of the liability component of the 2016 Convertible Bonds for the period ended 30 June 2011 amounted to RMB16,697,000, which is calculated using the effective interest method with an effective interest rate of 16.45%.

18 Convertible bonds (continued)

(2) Convertible bonds due on 29 April 2016 (continued)

	RMB'000
Liability component as at 29 April 2011	611,641
Add: Interest expense for the period (note 22)	16,697
Less: Unrealised exchange gain (note 23)	(2,579)
Liability component as at 30 June 2011	625,759

The fair value of the liability component of the 2016 Convertible Bonds at 30 June 2011 amounted to RMB622,532,000. The fair value is calculated using cashflows discounted at a rate of 16.56%.

19 Other income — net

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Net income from sales of materials and scrap	**25,295**	9,397
Subsidy income	**91,278**	8,168
Net income from sales of trucks	**—**	—
Sales of trucks	**12,735**	—
Cost of trucks	**(12,735)**	—
Amortisation of deferred government grants	**1,632**	1,368
Others	**9,688**	5,993
	127,893	24,926

20 Expenses by nature

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Raw materials used in inventories (note 9)	**1,144,118**	737,321
Advertising and other marketing expenses	**334,085**	367,409
Employee benefit expense (note 21)	**118,399**	132,914
Depreciation of property, plant and equipment (note 6)	**145,988**	113,550
Transportation and related charges	**74,303**	67,194
Water and electricity	**51,724**	78,645
Travelling expense	**12,655**	15,137
Amortisation of land use rights and intangible assets (note 7, 8)	**18,068**	15,034
Office and communication expenses	**12,622**	14,521
Impairment loss for trade and other receivables	**10,586**	—
Land use tax	**8,442**	8,073
Repairs and maintenance	**8,186**	12,647
Disposal and impairment loss of inventories	**7,228**	1,977
Rental expenses	**5,673**	6,446
Other expenses	**30,120**	24,719
Total cost of sales, selling and marketing expenses and administrative expenses	**1,982,197**	1,595,587

21 Employee benefit expense

	Note	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Wages and salaries		**107,393**	119,453
Contributions to pension plan and other benefits	(a)	**10,105**	11,191
Share-based payment expenses		**901**	2,270
		118,399	132,914

21 Employee benefit expense (continued)

(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 2011 and 2010 were as follows:

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Salaries, wages and bonuses	**1,870**	2,588
Contributions to pension plan	**27**	22
Welfare and other expenses	**29**	27
	1,926	2,637

22 Finance costs

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest expenses:		
— Bank borrowings	**65,873**	18,967
— Interest expense relating to Convertible Bonds (note 18)	**46,000**	31,119
Less: Interest capitalised	**(58,307)**	(17,550)
	53,566	32,536
Capitalisation rate	**4.17%**	2.60%

23 Finance income

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Interest income		
— from bank deposits	**2,367**	1,561
Exchange gain (excluding Convertible Bonds)	**32,772**	5,980
Exchange gain on liability component of Convertible Bonds (note 18)	**13,162**	2,970
	48,301	10,511

24 Income tax credit

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Current income tax — PRC enterprise income tax	**21,803**	1,062
Deferred income tax credit	**(30,208)**	(12,979)
	(8,405)	(11,917)

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 2011 and for the year ended 31 December 2010 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.

25 Earnings/(losses) per share

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) 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 2011 RMB'000	2010 RMB'000
Profit/(loss) attributable to equity holders of the Company	149,113	(72,247)
Weighted average number of ordinary shares in issue (thousands)	1,477,953	1,468,817
Basic earnings/(losses) per share (RMB cents)	10.1	(4.9)

(b) Diluted

Diluted earnings/(losses) 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/(losses) per shares, of which details are as follows:

25 Earnings/(losses) per share (continued)

(b) Diluted (continued)

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Profit/(loss) attributable to equity holders of the Company	**149,113**	(72,247)
Add: Interest expense relating to 2016 Convertible Bonds (note 18)	**16,697**	—*
Less: Unrealised exchange gain relating to 2016 Convertible Bonds (note 18)	**(2,579)**	—*
Less: Fair value changes of conversion rights of 2016 Convertible Bonds (note 18)	**(97,812)**	—*
Profit/(loss) attributable to equity holders of the Company, used to determine diluted earnings/(losses) per share	**65,419**	(72,247)
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,468,817
Adjustment for 2016 Convertible Bonds (thousands)	**18,906**	—*
Adjustment for share options (thousands)	**—****	—**
Weighted average number of ordinary shares for diluted earnings/(losses) per share (thousands)	**1,496,859**	1,468,817
Diluted profit/(loss) per share (RMB cents)	**4.4**	(4.9)

* In the six months ended 30 June 2011, convertible bonds are dilutive, while in the six months ended 30 June 2010, convertible bonds are antidilutive, and have therefore been excluded from the calculation of diluted earnings/(losses) per share.

** In the first half year of both 2011 and 2010, share options are antidilutive and have therefore been excluded from the calculation of diluted earnings/(losses) per share.

26 Dividends

No dividends for the year ended 31 December 2010 were paid in the six months ended 30 June 2011 (Corresponding period in 2010: RMB58,753,000). The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2011 (corresponding period in 2010: nil).

27 Contingent liabilities

There were no material contingent liabilities as at 30 June 2011 (31 December 2010: nil).

28 Commitments

(a) Capital commitments

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Purchase of property, plant and equipment	**172,842**	202,101

(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 2011 and 2010 are disclosed in Note 20.

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

The Group is the lessee

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
No later than 1 year	**2,402**	3,682
Later than 1 year and no later than 5 years	**9,040**	8,000
Later than 5 years	**—**	4,000
	11,442	15,682

29 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) During the period, the Company's directors and the Group's management are of the view that the companies beneficially owned by Mr. Zhu Xinli were related parties of the Group.

(b) The following transactions were carried out with related parties.

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Sales of goods and services		
Sales of recyclable containers	17,448	12,337
Income for provision of power and other utilities	2,139	1,999
	19,587	14,336
Purchase of materials and services		
Purchase of raw materials	337,595	205,701
Rental expenses for land use rights and lease of property, plant and equipment	1,000	1,000
Expenses for power and other utilities	774	649
	339,369	207,350
Key management compensation		
Salaries, wages and bonuses	3,873	4,125
Contributions to pension plan	80	74
Welfare and other expenses	108	96
Share option expenses	901	2,270
	4,962	6,565

During the period of 2010 and 2011, 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.

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.

29 Related-party transactions (continued)

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

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Trade receivables (note 10)		**342**	1,242
Other receivables due from related parties (note 10)		**57,663**	47,365
Prepayments of raw materials and others (note 10)		**48,944**	—
Trade payables (note 16)		**545,020**	323,217
Other balances due to related parties (note 16)		**4,850**	4,584

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

30 Subsequent events

There were no significant events after the 30 June 2011.

"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
"Financial Management and Audit Committee"	the financial management and audit committee of the Company as set up by the Board on 21 September 2006
"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
"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
"SAIF"	Sino Fountain Limited, a company incorporated in the British Virgin Islands which is indirectly wholly owned by Mr. Andrew Y. Yan
"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.