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

2012
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 43 subsidiaries with 10,689 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 2012, the Group's 100% juice and nectars continue to rank as the market leader with market shares of 57.8% and 43.4%, 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 recognized brands of 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. LEUNG Man Kit
Mr. SONG Quanhou
Mr. ZHAO Chen
Ms. ZHAO Yali

Company Secretary

Ms. MA Sau Kuen Gloria

Authorized Representatives

Mr. ZHU Xinli
Ms. MA Sau Kuen Gloria

Financial Management and Audit Committee

Mr. LEUNG Man Kit *(Chairman)*
Mr. SONG Quanhou
Mr. ZHAO Chen

Remuneration and Nomination Committee

Mr. SONG Quanhou *(Chairman)*
Mr. LEUNG Man Kit
Mr. Andrew Y. YAN

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

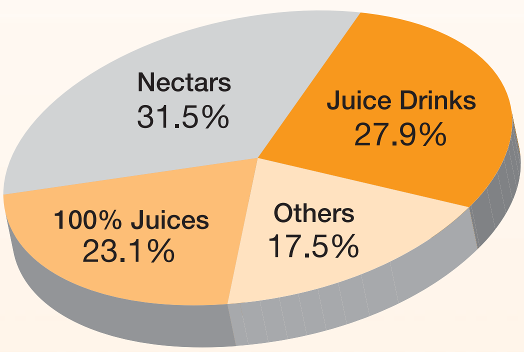
Comparison of the unaudited consolidated results for the first half of 2012 and the first half of 2011

	For the 6 months ended 30 June (RMB '000) 2012	2011
Revenue	**1,690,148**	1,826,715
Cost of sales	**1,270,095**	1,350,623
Gross profit	**420,053**	476,092
(Loss)/profit attributable to equity holders	**(32,167)**	149,113
Adjusted profit attributable to equity holders (Note 1)	**7,649**	9,290
EBITDA	**258,427**	184,768
(Losses)/earnings per share (RMB cents) (Note 2)		
— basic	**(2.2)**	10.1
— diluted	**(2.2)**	4.4

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.

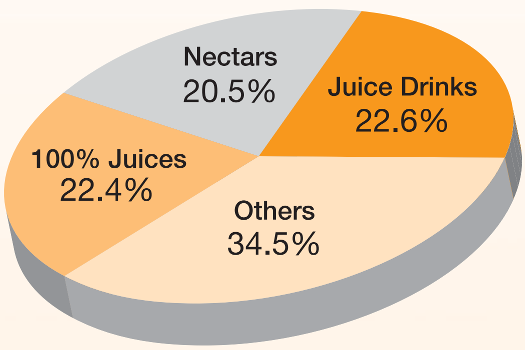
Note 2: Please refer to Note 26 to the Consolidated Interim Financial Information for the calculation of (losses)/earnings per share.

Sales by product



2011

For the 6 months ended 30 June



2012

For the 6 months ended 30 June

Financial ratio (Based on the unaudited consolidated results for the first half of 2012 and the first half of 2011)

	For the 6 months ended 30 June		
	2012	2011	Change
Return on equity	**-0.6%**	2.9%	-3.5%
Return on assets	**-0.3%**	1.6%	-1.9%
Gearing ratio (total debt/total equity) (Note 1)	**62.1%**	54.9%	+7.2%

Operating ratio (Note 2)

	For the 6 months ended 30 June		
	2012	2011	Change
Turnover of finished goods	**25 days**	26 days	-1 days
Turnover of raw materials	**130 days**	82 days	+48 days
Turnover of trade receivables	**61 days**	43 days	+18 days
Turnover of trade payables	**134 days**	124 days	+10 days

Note 1: The total debt includes total borrowings of RMB2,502.8 million as at 30 June 2012 (as at 30 June 2011: RMB1,956.7 million) and convertible bonds of RMB752.2 million as at 30 June 2012 (as at 30 June 2011: RMB879.0 million).

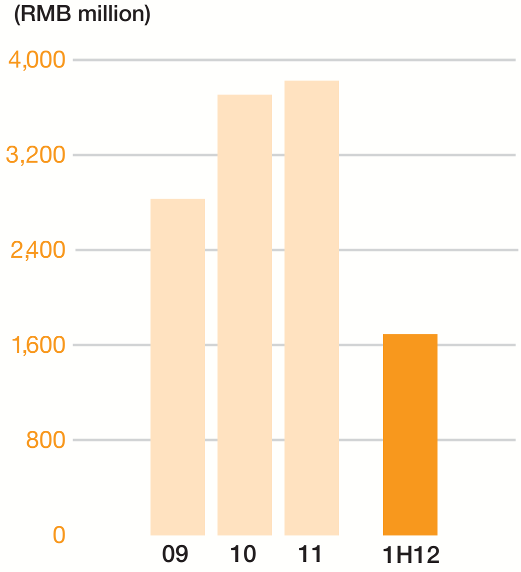
Note 2: The turnover of finished goods as at 30 June is calculated as the balance of finished goods as at 30 June divided by cost of sales for the year multiplied by 182.5 days (365 divided by 2).

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).

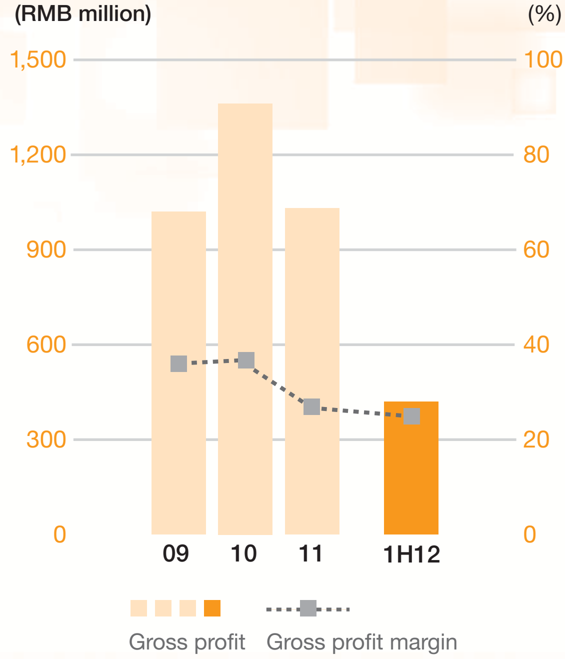
The turnover of trade receivables as at 30 June is calculated as the total balance of trade receivables and bills receivable as at 30 June divided by sales for the year multiplied by 182.5 days (365 divided by 2).

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).

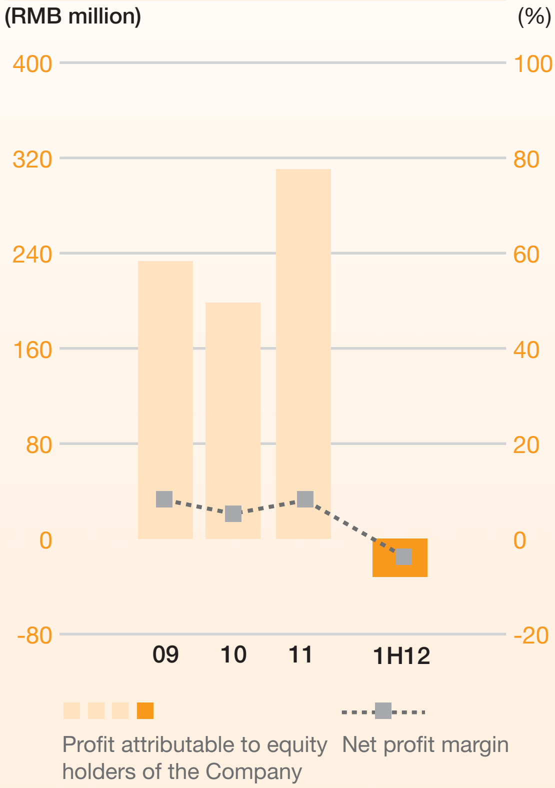
Sales



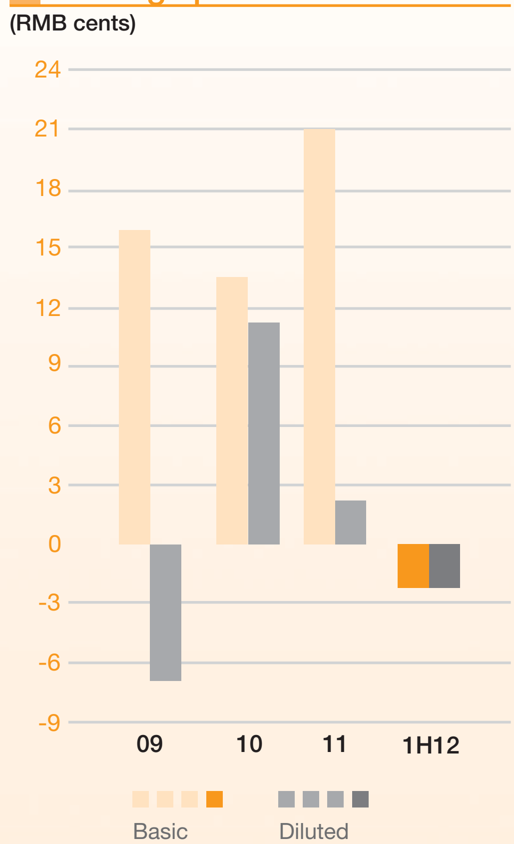
Gross profit



Profit Attributable to Equity Holders of the Company



Earnings per Share



Management Discussion and Analysis

MARKET REVIEW

Review of the China Juice Beverage Market

In the first half of the year 2012, China recorded GDP growth of 7.8%, a decrease compared to last year's full year GDP growth of 9.2%. While China's economic growth has slowed, inflation, particularly in food prices has eased relative to the levels experienced in 2011. In the first half of 2012, China recorded an decrease in the Producer Price Index (PPI) of 0.6% and an increase in the Consumer Price Index (CPI) of 3.3%. The overall macro-environment remains challenging as the global economy remains fragile and the Chinese government works to manage the economy toward a more long-term sustainable model. Despite these challenges, the domestic juice beverage market continued to grow as the increase in urban population and growth in disposable income continue to drive the growth in consumer demand for natural and healthy beverage products including fruit and vegetable juices. Competition in the overall beverage industry, including juice and juice drink markets, remains intense.

In this environment, sales of fruit and vegetable juices in China reached 2.0 billion liters in the first half of 2012, representing an increase of 4.2% according to Nielsen. According to Nielsen, Huiyuan remains the market leader in terms of market share in 100% juice and nectars in China. The following table (as extracted from Nielsen's report) shows Huiyuan's market share in each of 100% juice, nectars and juice drink in China for the first half year of 2012.

	Market Share (%)	
For the first half year of 2012	**By Volume**	**By Value**
100% Juice		
Huiyuan Juice	57.8	50.3
Second ranked competitor	19.4	25.0
Third ranked competitor	8.1	7.9
Fourth ranked competitor	3.1	3.3
Fifth ranked competitor	1.5	2.5
26%–99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	43.4	38.7
Second ranked competitor	32.6	26.8
Third ranked competitor	4.4	6.4
Fourth ranked competitor	3.2	3.3
Fifth ranked competitor	2.5	2.7
25% & Below Concentration		
First ranked competitor	34.1	36.1
Second ranked competitor	20.3	19.5
Third ranked competitor	19.0	16.2
Fourth ranked competitor	6.4	7.4
Fifth ranked competitor	6.9	6.7
Huiyuan Juice (Note 3)	3.2	2.5

Notes:

(1) According to Nielsen, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% or below.

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

(3) Huiyuan Juice includes "Huiyuan", "Huiyuan Zhen Juice", "Lemon Me", "Xi Qing" and "Kiwi Super Fruits", the sub-brands of Huiyuan Juice.

"Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packages goods 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

In a challenging economic environment, the Group continues to see benefits from the long term trends of continuing growth in per capita disposable income, consumers' increasing purchasing power, and growing demand for natural, healthy beverages among Chinese consumers. As a leading fruit and vegetable juice producer in China, Huiyuan maintains a high level of brand recognition among Chinese consumers and remains committed to providing the highest quality products to all the Group's customers.

In the six months ended 30 June 2012, the Group recorded sales of RMB1,690.1 million, a decrease of 7.5% from RMB1,826.7 million for the six months ended 30 June 2011. The net loss attributable to the equity holders of the Company reached RMB32.2 million as compared to a net profit of RMB149.1 million for the same period in 2011. The difference in net profit is primarily as a result of a RMB173.6 million gain in changes in fair value of the Convertible Bonds recognized in the first half of 2011 compared to the gain in changes in the fair value of the Convertible Bonds of RMB8.9 million in the first six months of 2012.

In the first half of 2012, the Group maintained its market leading position in the juice and juice drink industry. During the period under review, the Company also won several awards including "2012 Top 100 Green Chinese Companies" ("2012年綠公司百强") and "Trusted Brand 2012 Platinum Award" (信譽品牌2012年白金獎.")

Products

The Group currently offers fruit and vegetable products divided into three main categories according to juice concentration: 100% juices, nectars and juice drinks. In addition, the Group also offers non-juice drinks including waters and teas and provides contract production services for other beverage companies. For the first six months of 2012, the Company focused its efforts around its key products and brands. During the period under review, the Company promoted flavors such as grape and tomato to complement our existing product offerings.

Production

The Company has taken certain measures to improve our operating efficiency. We have eliminated a large number of low volume items to focus our resources around key brands and key products. At the same time, we have also adopted a more concentrated manufacturing model to reduce waste in the production process. As at 30 June 2012, our total annual manufacturing capacity was approximately five million tons.

Distribution

As at 30 June 2012, the Company's sales network consisted of 14 direct sales branches, 444 sales offices, and over 5,000 full-time sales staff. Huiyuan's sales strength continues to be with the large retailers. The Company has increased the size of our sales staff by over 1,000 people since the end of last year to further expand and strengthen our sales and distribution network.

Branding and marketing

The Company conducted extensive marketing activities to promote our products and support our sales team. These include targeted marketing and promotion, increased grass-roots promotion activity and further investment in our in-store presence. In addition, the Group also sponsored events such as the nationally televised singing competition "花兒朵朵" (Hua Er Duo Duo), conducted product placement in television series such as "浮沉" (Fu Chen), and placed online advertisements with major website including portals and video sites like iQIYI, Renren, Tencent and more. As the only authorized supplier of fruit juice beverage products for the China Lunar Exploration Program and Deep Space Exploration Program, the Company celebrated the successful space mission of "Shenzhou 9" and the safe return of its astronauts. We initiated an important marketing initiative during the period under review to educate the consumer on the health and natural benefits of our 100% juice product relative to juice drink products in the market. We believe this will yield long term benefits for the Company.

FINANCIAL REVIEW

Overview

In the six months ended 30 June 2012, the Group recorded sales of RMB1,690.1 million, a decrease of 7.5% from RMB1,826.7 million for the six months ended 30 June 2011. The net loss attributable to the equity holders of the Company of RMB32.2 million compared to a net profit of RMB149.1 million for the same period in 2011. The difference in net profit is primarily as a result of a RMB173.6 million gain in changes in fair value of the Convertible Bonds recognized in the first half of 2011 compared to the gain in changes in the fair value of the Convertible Bonds of RMB8.9 million in the first six months of 2012.

Sales

Sales of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products decreased 7.5% from RMB1,826.7 million in the first half of 2011 to RMB1,690.1 million in the first half of 2012.

Sales of 100% fruit juices, which accounted for 22.4% of the Group's total sales, decreased by 10.5% from RMB422.9 million in the first half of 2011 to RMB378.4 million in the first half of 2012 due to a 5.9% decrease in sales volume and a 4.9% decrease in average selling price. Average selling price for the first six months of 2012, while lower than the comparable period last year, is higher than the average selling price for the full year 2011 by 1.3%.

Sales of nectars decreased from RMB575.7 million in the first six months of 2011 to RMB346.1 million in the first six months of 2012. Sales of nectars accounted for 20.5% of total sales for the first six months of 2012. Sales volume for the period decreased 41.1% as compared to last year while average selling price increased 2.0%.

Sales of juice drinks, which accounted for 22.6% of the Group's total sales, decreased by 25.0% from RMB508.8 million in the first half of 2011 to RMB381.6 million in the first half of 2012. The decrease in revenues was due to a 30.6% decrease in volume which was partially offset by a 8.1% increase in average selling price.

The sales of other beverage products increased significantly, growing 82.9% from RMB319.3 million in the first six months of 2011 to RMB584.1 million in the first six months of 2012 primarily attributed to the increase in contract production sales and the sales of water, bottled tea and milk juice.

Cost of Sales

Cost of sales decreased by 6.0% from RMB1,350.6 million for the six months ended 2011 to RMB1,270.1 million for the six months ended 2012. The decrease in cost of sales is primarily a result of the decrease in sales volume during the period.

Gross Profit

Gross profit decreased by 11.8% from RMB476.1 million for the six months ended 2011 to RMB420.1 million for the six months ended 2012. Gross profit margin decreased by 1.2% from 26.1% for the six months ended 2011 to 24.9% for the comparable period in 2012. The decrease in gross profit was primarily attributable to the change in sales mix, as the proportion of other beverage products has increased relative to other products.

Other Income

Other income increased 34.4% from RMB127.9 million for the six months ended 2011 to RMB171.9 million for the same period 2012. Other income consists primarily of government subsidy income as well as income from the sale of manufacturing related waste and byproducts.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 14.5% from RMB477.0 million for the six months ended 2011 to RMB407.6 million for the same period 2012, mainly due to a decrease in marketing and direct sales expenditure.

Administrative Expenses

Administrative expenses decreased by 16.2% from RMB154.6 million for the six months ended 2011 to RMB129.6 million for the comparable period in 2012. Administrative expenses as a percentage of revenue have decreased from 8.5% for the six months ended 30 June 2011 to 7.7% for the six months ended 30 June 2012.

Finance Income/Cost

The Group recorded finance cost of RMB97.8 million for the six months ended 30 June 2012 as compared to a finance income of RMB168.3 million for the comparable period in 2011. The difference is primarily as a result of a RMB173.6 million gain in changes in fair value of the Convertible Bonds in the first half of 2011 as well as the impact of foreign exchange related gains/(losses) for the comparable periods. Gain in changes in the fair value of the Convertible Bonds in the first six months of 2012 was RMB8.9 million.

Income Tax Expenses

In the first half of 2012 the Company recorded an income tax credit of RMB11.0 million compared to an income tax credit of RMB8.4 million for the comparable period in 2011 as a result of losses that accured at certain of our subsidiaries.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Company recorded RMB54.7 million in operating profit for the six months ended 2012 as compared with an operating loss of RMB27.6 million for the comparable period in 2011. The adjusted profit attributable to the equity holders of the Company for the six months ended 30 June 2012 was RMB7.6 million compared to RMB9.3 million for the comparable period in 2011.

Liquidity and Capital Resources

The Group's working capital and other capital requirements were principally funded by operations, cash at hand and borrowings.

As at 30 June 2012, the Group had an aggregate of RMB2,502.8 million in outstanding bank loans and RMB752.2 million in outstanding Convertible Bonds as compared to RMB2,490.6 million in outstanding bank loans, RMB3.0 million in other financial institution loans and RMB725.3 million of outstanding Convertible Bonds in 2011. The gearing ratio (total debt (including the Convertible Bonds)/total equity) of the Group was 62.1% as at 30 June 2012, representing a increase of 1.1 percentage points as compared to 61.0% as at 31 December 2011.

The Group's borrowings include bank loans and the Convertible Bonds. As at 30 June 2012, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank loans	1,858.7	644.1	2,502.8
Convertible Bonds	—	752.2	752.2
Total	1,858.7	1,396.3	3,255.0
Analysed as:			
Secured	1,053.5	—	1,053.5
Unsecured	805.2	1,396.3	2,201.5

Operating activities

Net cash generated from operating activities was RMB21.4 million in first six months of 2012. The Group's net loss before tax for the same period was RMB43.1 million. The difference of RMB64.5 million was primarily due to depreciation of fixed assets for the period of RMB177.1 million that was partially offset by an RMB44.4 million increase in accounts receivable, a RMB31.6 million decrease in deferred revenue, and interest and tax payments for the period of RMB97.1 million and RMB39.8 million, respectively.

Investing activities

Net cash used in investing activities for the first six months of 2012 was RMB160.5 million as compared to net cash used in investing activities of RMB345.9 million for the same period in 2011. Purchase of property, plant and equipment for the period was RMB204.0 million.

Financing activities

Net cash generated from financing activities for the six months period ended 30 June 2012 was negative RMB31.5 million, as compared to net cash generated from financing activities of RMB83.5 million for the comparable period in 2011. In June 2012, the Group raised issued USD100 million from a bilateral loan which was used primarily to refinance existing short term borrowings.

Capital Expenditure

Capital expenditures primarily comprised purchases of property, plant and equipment, and additions to land use rights. The Group significantly decreased its total capital expenditures for the six month period ended 30 June 2012 compared to the previous year. During the six month ended 30 June 2012, the Group spent RMB204.0 million on the purchase of property, plant and equipment.

As at 30 June 2012, the Group had capital commitments of RMB65.7 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in the second half of 2012 will be significantly reduced compared with the same period of 2011. The Group plans to finance its capital expenditure requirements primarily with cash generated from its operations and bank loans.

Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of raw materials (including packaging materials and juice concentrates and purees) and finished goods (including juices and other beverage products). Raw materials make up the majority of the Group's inventory. Raw materials turnover days increased from 114 days as at 31 December 2011 to 130 days as at 30 June 2012, while turnover days for finished goods increased from 21 days as at 31 December 2011 to 25 days as at 30 June 2012.

Turnover days for trade receivables increased to 61 days as at 30 June 2012 compared to 59 days for the previous year.

Contingent Liabilities

As at 30 June 2012, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2012, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 30 June 2012, 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 2012, the Group did not have any capital leases.

MARKET RISKS

The activities of the Group 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. Financial risk management is carried out by the group treasury which identifies, evaluates and hedges financial risk.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet dates, substantially all of the Group's borrowings were carried at market lending rates.

Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials 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, the Convertible Bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in the first half year of 2012 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2012, 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 2012 would have been decreased/increased by RMB18,497,000 (as at 30 June 2011: RMB17,494,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

PROSPECTS AND DEVELOPMENT STRATEGIES

Looking ahead, the uncertainty in the western economies continues to impact the overall global economy. The structural shift of transitioning towards a more domestic demand driven economy also implies that certain economic challenges that China faces will continue to influence overall growth. While the beverage market continues to grow, competition remains high. Consolidation among market participants has already taken shape. Food safety remains a key issue for consumers. Raw material prices have decreased relative to last year easing some of the cost pressures for the Company. Against this backdrop, the Company will continue to focus on its core business. We are optimistic that the second half of the year will bear the fruits of some of the investment made earlier this year into the sales network and our overall operations. While maintaining leadership in our core market, we will work tirelessly to improve our overall performance in this Huiyuan's 20th year anniversary.

The directors of the Company (the "Director(s)") present their report together with the condensed consolidated interim results of the Group for the six months ended 30 June 2012.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012.

Financial Management and Audit Committee

The Financial Management and Audit Committee of the Company was established on 21 September 2006. The Board has adopted its terms of reference in compliance with the Code on Corporate Governance Practice (the "Old Code") contained in the then Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") since its listing on the Hong Kong Stock Exchange in 2007, and revised terms of references to be in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Hong Kong Listing Rules (the "New Code", together with the Old Code, the "Governance Code"). These terms of reference, together with the terms of reference of the Remuneration and Nomination Committee, have been published on the websites of the Company and the Hong Kong Stock Exchange according to the requirements under the New Code. As at 30 June 2012, there were three members under the committee, namely Mr. Leung Man Kit (Chairman), Mr. Song Quanhou and Mr. Zhao Chen, all of whom are independent non-executive Directors.

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 2012 together with the management of the Company and its 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 2012 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".

Disclosure Pursuant to Rule 13.18 of the Hong Kong Listing Rules

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Hong Kong Listing Rules as at 30 June 2012.

The Company entered into an agreement (the "Facility Agreement") with a bank (the "Lender") relating to a term loan facility in an aggregate principal amount of US$ One Hundred Million (US$100,000,000) (the "Facility") on 11 June 2012. The final maturity date of the Facility is 15 June 2015. As at 30 June 2012, the outstanding amount owed by the Company under the Facility Agreement was US$ One Hundred Million (US$100,000,000).

Pursuant to the terms of the Facility Agreement, in case of occurrence of an event that Mr. Zhu Xinli (i) ceases to be, directly or indirectly, the single largest shareholder of the Company; or (ii) ceases to own, directly or indirectly, at least 30% of each class of the entire issued share capital of the Company, the Lender may by notice to the Company cancel the Facility and declare all outstanding Loans (as defined in the Facility Agreement), together with accrued interest, and all other amounts accrued under the agreement immediately due and payable, whereupon the Facility will be cancelled and all such outstanding amounts will become immediately due and payable.

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

As at 30 June 2012, 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 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	22.84%

Notes:

a) These shares were beneficially owned by China Huiyuan Holdings which is wholly-owned by Huiyuan Holdings, which in turn is 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. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively.

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 2012, 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 2012, 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.

All options which have been granted by the Company under the Pre-IPO Share Option Scheme lapsed during the year of 2011 and no option can be granted under the Pre-IPO Share Option Scheme.

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 Hong Kong 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 2012 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 2012	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2012	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2012	Number of underlying shares comprised in the options outstanding as at 30 June 2012
Qi Daqing	13 July 2010	13 July 2020 (Note)	5.426	150,000	150,000	–	–
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	15,040,708	–	13,769,792
				28,960,500	15,190,708	–	13,769,792

Note: Mr. Qi has resigned as a director of the Company with effect from 29 June 2012, therefore, all outstanding options granted to him and not already exercised lapsed on the date of resignation.

As at the date of this report, no further options were granted under the Share Option Scheme and none of the share options granted under the Share Option Scheme had been exercised.

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

As at 30 June 2012, 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	619,136,588[(a)]	41.89%
	110,161,215[(c)]	7.45%
Huiyuan Holdings	619,136,588[(a)]	41.89%
China Huiyuan Holding	619,136,588[(a)]	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%
APG Algemene Pensioen Groep N.V.	98,774,501	6.68%
Stichting Pensioenfonds ABP	98,774,501	6.68%

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. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively.

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 2012, 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 2012, 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 2012, the Group had 10,689 employees (31 December 2011: 10,397 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 15 to the unaudited condensed consolidated interim financial information.

Changes to Information in respect of Directors

During the six months ended 30 June 2012, 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 of directors (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 Old Code since its listing on the Hong Kong Stock Exchange in 2007, and has, since 1 April 2012, adopted the New Code as currently in force at the date of this report 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.

Save for the deviations explained below, the Company was compliant with the Old Code and the New Code for the three-month period ended 31 March 2012 and 30 June 2012, respectively.

A summary of the deviations from the Governance Code is set out below:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive 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) of the Company are held by Mr. Zhu Xinli. Although this deviates from the rules set out in the Code Provision A.2.1, where the two positions should be held by two different individuals, Mr. Zhu has considerable and extensive experience in the juice and beverage industry. Both positions require the overall operation and management of the Company. The Board believes that it is in the best interest of the Company to continue to have an executive chairman so the Board can benefit from the business expertise and knowledge of Mr. Zhu as well as his capability in leading the Board in formulating strategies 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 of the Company 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 2012.

On behalf of the Board
Zhu Xinli
Chairman

Beijing, 27 August 2012

Condensed Consolidated Balance Sheet

As at 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**6,005,889**	5,977,210
Intangible assets	7	**447,974**	457,780
Land use rights	8	**729,251**	784,455
Deferred tax assets		**83,651**	70,132
Investments in associates	9	**64,919**	9,900
Long-term receivable		**1,336**	3,437
Total non-current assets		**7,333,020**	7,302,914
Current assets			
Inventories	10	**1,122,289**	1,149,560
Trade and other receivables	11	**1,335,381**	1,272,024
Restricted cash	12	**121,184**	108,902
Cash and cash equivalents	13	**106,668**	276,572
Total current assets		**2,685,522**	2,807,058
Total assets		**10,018,542**	10,109,972
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	**115**	115
Share premium	14	**3,776,401**	3,776,401
Other reserves		**246,421**	252,284
Retained earnings			
— Proposed final dividends	27	**—**	—
— Others		**1,214,971**	1,247,138
Total equity		**5,237,908**	5,275,938

As at 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	**644,135**	52,972
Deferred government grants		**101,177**	91,899
Convertible bonds	19	**752,172**	725,328
Total non-current liabilities		**1,497,484**	870,199
Current liabilities			
Trade and other payables	17	**1,376,260**	1,406,153
Taxation payable		**4,692**	41,942
Deferred revenue		**43,516**	75,151
Borrowings	18	**1,858,682**	2,440,589
Total current liabilities		**3,283,150**	3,963,835
Total liabilities		**4,780,634**	4,834,034
Total equity and liabilities		**10,018,542**	10,109,972
Net current liabilities		**(597,628)**	(1,156,777)
Total assets less current liabilities		**6,735,392**	6,146,137

The notes on pages 25 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For six months ended 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
Revenue	5	**1,690,148**	1,826,715
Cost of sales	21	**(1,270,095)**	(1,350,623)
Gross profit		**420,053**	476,092
Other income-net	20	**171,862**	127,893
Selling and marketing expenses	21	**(407,645)**	(476,970)
Administrative expenses	21	**(129,609)**	(154,604)
Finance costs	23	**(115,404)**	(53,566)
Finance income	24	**8,735**	48,301
Unrealised gain from change of fair value of convertible bonds	19	**8,861**	173,562
(Loss)/profit before income tax		**(43,147)**	140,708
Income tax credit	25	**10,980**	8,405
(Loss)/profit for the period		**(32,167)**	149,113
Other comprehensive income for the period		**—**	—
Total comprehensive income for the period		**(32,167)**	149,113
Attributable to:			
Equity holders of the Company		**(32,167)**	149,113
		RMB Cents per share	**RMB Cents per share**
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in RMB cents per share)	26		
— basic		**(2.2)**	10.1
— diluted		**(2.2)**	4.4
Dividends	27	**—**	—

The notes on pages 25 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2012
(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 2012		115	3,776,401	219,429	32,855	1,247,138	5,275,938
Comprehensive income							
Loss for the period		–	–	–	–	(32,167)	(32,167)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(32,167)	(32,167)
Transactions with owners in their capacity as owners							
Dividends		–	–	–	–	–	–
Share-based payment expenses	22	–	–	–	(5,863)	–	(5,863)
Total transactions with owners		–	–	–	(5,863)	–	(5,863)
Balance at 30 June 2012		115	3,776,401	219,429	26,992	1,214,971	5,237,908
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	22	–	–	–	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

The notes on pages 25 to 54 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For six months ended 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations		**149,528**	327,060
Interest paid		**(97,124)**	(58,641)
Interest received		**8,735**	2,367
Income tax paid		**(39,789)**	(56,069)
Cash flows generated from operating activities-net		**21,350**	214,717
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		**(204,022)**	(404,052)
Proceeds on disposal of PPE		**17,284**	2,863
Purchase of land use rights		**(19,142)**	(67,553)
Proceeds from sale of land use rights		**25,637**	—
Proceeds from disposal of a 50% equity interest in a subsidiary		**62,000**	—
(Increase)/decrease in restricted cash		**(12,282)**	122,875
Investment in associates		**(30,000)**	—
Cash flows used in investing activities-net		**(160,525)**	(345,867)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		**3,098,885**	1,041,260
Repayments of borrowings from banks and other financial institution		**(3,130,379)**	(1,377,471)
Redemption of Convertible Bonds		**—**	(542,988)
Proceeds from issuance of CB		**—**	962,700
Cash flows (used in)/generated from financing activities — net		**(31,494)**	83,501
Exchange gain/(losses) on cash and cash equivalents		**765**	(693)
Net decrease in cash and cash equivalents		**(169,904)**	(48,342)
Cash and cash equivalents at the beginning of the period	13	**276,572**	191,983
Cash and cash equivalents at end of the period	13	**106,668**	143,641

The notes on pages 25 to 54 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 27 August 2012.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As of 30 June 2012, the Group's current liabilities exceeded its current assets by RMB597,628,000. The Group has considered the current economic environment, its ability to generate net cash inflows from its future operating activities, its expected ability to renew short-term borrowings on their maturity dates, its unused bank facilities and other refinance capabilities. After consideration of these factors, the directors believe the Group has the ability to repay its borrowings on their maturity dates or refinance them when they mature during the 12 months period from 30 July 2012. Therefore, these financial statements have been prepared on the going concern basis.

3 Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2011, 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 2012:

- IAS 12 (Amendment) Deferred tax: Recovery of underlying assets, the amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes — recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment does not have any impact on the group's financial results for the period.

(b) There is no amendment or interpretation to published standards are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Group's operations.

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the group:

- IFRS 9, 'Financial instruments' (effective from 1 January 2013).
- IFRS 10 'Consolidated financial statements' (effective from 1 January 2013)
- IFRS 11 'Joint arrangements' (effective from 1 January 2013).
- IFRS 12 'Disclosure of interests on other entities' (effective from 1 January 2013).
- IFRS 13 'Fair value measurements' (effective from 1 January 2013).
- IAS 19 (Amendment) 'Employee benefits' (effective from 1 January 2013).
- IFRS 7 (Amendment) 'Financial instruments: Disclosures — Offsetting financial assets and financial liabilities' (effective from 1 January 2013).
- IFRIC — Int 20 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013).

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 2013 and have not been early adopted by the group: (continued)

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 2013 or later periods and are not adopted early. 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 2012 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2012, 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 2012 would have been decreased/increased by RMB18,497,000 (as at 30 June 2011: RMB17,494,000), 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 of borrowings and 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 2012, the debt-to-equity ratio was 62.1% (including Convertible Bonds) (as at 31 December 2011: 61.0%), and 47.8% (excluding Convertible Bonds) respectively (as at 31 December 2011: 47.3%).

The interim condensed consolidated financial statements 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 2011.

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 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	—	—	77,345	77,345

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 2012, please refer to Note 19.

If the market price had been 10% higher/lower than management's estimates at 30 June 2012, it would have increased/decreased the fair value of conversion rights by RMB11,893,000. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2012, it would have increased/decreased the fair value of conversion rights by RMB9,752,000. If the volatility rate had been 1% higher/lower than management's estimates at 30 June 2012, it would have increased/decreased the fair value of conversion rights by RMB10,934,000.

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 revenue from a product perspective. The Group's expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers, which are considered as one segment. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of revenue. 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	
	2012 RMB'000	2011 RMB'000
100% juice products	**378,417**	422,852
Nectars	**346,068**	575,738
Juice drinks	**381,600**	508,812
Water and other beverage products	**584,063**	319,313
	1,690,148	1,826,715

5 Revenue and segment information (continued)

The Group made barter sales of approximately RMB6,977,000 during the six months ended 30 June 2012 in exchange for advertising services and transportation vehicles (corresponding period in 2011: RMB9,728,000).

6 Property, plant and equipment

	Unaudited RMB'000
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	**5,977,210**
Additions	**267,108**
Disposals	**(61,369)**
Depreciation charge (Note 21)	**(177,060)**
Closing net book amount as at 30 June 2012	**6,005,889**
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 (Note 21)	(145,988)
Closing net book amount as at 30 June 2011	5,838,313

There is no property, plant and equipment pledged as security for borrowings as at 30 June 2012 (as at 31 December 2011: 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 2012						
Opening net book amount as at 1 January 2012	161,569	166,067	128,738	1,006	400	457,780
Additions	–	–	3	–	–	3
Amortisation (a) (Note 21)	(6,545)	–	(2,965)	(268)	(31)	(9,809)
Closing net book amount as at 30 June 2012	155,024	166,067	125,776	738	369	447,974
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) (Note 21)	(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

(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

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	Unaudited 2012 RMB'000	2011 RMB'000
In PRC held on:		
Lease of between 30 to 50 years	**729,251**	766,955
Representing:		
Opening net book amount	**784,455**	563,514
Additions	**19,167**	213,110
Amortisation of prepaid operating lease payments (Note 21)	**(8,162)**	(7,992)
Termination of land use rights	**(66,209)**	(1,677)
Closing net book amount as at 30 June	**729,251**	766,955

9 Investments in associates

	Unaudited RMB'000
At 1 January 2012	9,900
Investment in an associate (a)	54,924
Share of profit of associates	95
At 30 June 2012	64,919

(a) Investment in an associate:

In June 2012, one subsidiary of the Company, Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd. ("Chengdu Huiyuan") set up a subsidiary, Chengdu Huifu Real Estate Co. Ltd. ("Huifu"), by injection with non-cash assets and cash, which amounted to RMB79,847,000 and RMB30,000,000 respectively. On 29 June 2012, Chengdu Huiyuan disposed a 50% equity interest of Huifu to third parties with a consideration of RMB90,000,000. As of 30 June 2012, Chengdu Huiyuan holds a 50% equity interest in Huifu as investment in an associate.

(b) The group's share of the results of its principal associates, and its aggregated assets (including goodwill) and liabilities are as follows:

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/(Loss) RMB'000	% interest held
Golden Creation (Tianjin) Trade Co. Ltd.	China	42,376	8,580	25,049	365	24.45
Chengdu Huifu Real Estate Co. Ltd.	China	113,813	–	–	–	50.00

10 Inventories

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Raw materials	**665,444**	711,749
Finished goods	**172,894**	157,276
Spare parts and consumable materials	**283,951**	280,535
	1,122,289	1,149,560

The cost of inventories recognised as expenses amounted to RMB930,634,000 for the six months ended 30 June 2012 (corresponding period in 2011: RMB1,106,645,000).

11 Trade and other receivables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Trade receivables	**557,648**	574,786
Related parties (a) (Note 30 (c))	**4,790**	295
Third parties (a)	**585,891**	606,058
Less: Provision for impairment of receivables	**(33,033)**	(31,567)
Bills receivable — third parties	**10,205**	38,493
Prepayments of raw materials and others — third parties	**306,170**	231,441
Deductible VAT-input balance	**317,325**	307,110
Other receivables	**144,033**	120,194
Related parties (Note 30 (c))	**85,218**	100,912
Third parties	**58,815**	19,282
	1,335,381	1,272,024

The carrying amounts of receivables approximate their fair value.

11 Trade and other receivables (continued)

(a) Credit risk with respect to individual trade receivables is not significant, as the Group has a large number of customers, which are widely dispersed within the PRC. The majority of the Group's sales are settled in cash or by cheque on delivery of goods, 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 customers have credit terms of 90 to 180 days. Certain customers with long-term relationship are extended preferential credit terms exceeding 180 days. As at 30 June 2012 and 31 December 2011, the aging analysis of the trade receivables was as follows:

— Third parties

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within 3 months	**431,137**	452,838
Between 4 and 6 months	**73,409**	70,724
Between 7 and 12 months	**50,187**	54,298
Between 1 and 2 years	**19,448**	18,210
Over 2 years	**11,710**	9,988
	585,891	606,058

— Related parties

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within 3 months	**4,513**	106
Over 3 months	**277**	189
	4,790	295

12 Restricted cash

Restricted cash comprised letter of credit deposits for the purchasing of equipment and deposit for note payables. All the restricted cash is dominated in Renminbi.

13 Cash and cash equivalents

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Cash at banks and cash in hand		
Denominated in		
— Renminbi Yuan	**211,365**	330,639
— U.S. Dollar	**13,287**	50,963
— Euro	**3,175**	3,845
— Others	**25**	27
	227,852	385,474
Less: restricted cash (note 12)		
— pledged for letter of credits	**(64,184)**	(50,902)
— deposit for note payables	**(57,000)**	(58,000)
	106,668	276,572

14 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 2012 and 30 June 2012	1,477,953	115	3,776,401	3,776,516

There is no change in share capital and share premium during the six months ended 30 June 2012.

15 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.

All options which have been granted by the Company under the Pre-IPO Share Option Scheme lapsed during the year of 2011 due to termination of employment, and no option can be granted under the Pre-IPO Share Option Scheme.

(All amounts in RMB thousands unless otherwise stated)

15 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 2012 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 2012	Number of underlying shares comprised in the options granted during the period	Number of underlying shares comprised in the options lapsed or cancelled during the period	Number of underlying shares comprised in the options exercised during the period	Number of underlying shares comprised in the options outstanding as at 30 June 2012
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	–	15,040,708	–	13,769,792
				28,960,500	–	15,190,708	–	13,769,792

* Mr. Qi has resigned as a director of the Company with effect from 29 June 2012, therefore, all outstanding options granted to him and not already exercised lapsed on the date of resignation.

As of 30 June 2012, there were 15,190,708 shares lapsed as the grantees did not meet certain service or performance vesting conditions during related vesting periods. Accordingly, there were RMB5,906,000 share-based payment expenses reversed in the period ended 30 June 2012.

15 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. As of 30 June 2012, the grantees did not meet certain vesting conditions during related vesting periods, therefore, the Company reversed related share option expense amounting to RMB5,906,000 for the period ended 30 June 2012. As a result, total share option expenses charged to the condensed consolidated statement of comprehensive income for the six month ended 30 June 2012 amounting to negative RMB5,863,000 (corresponding period in 2011: RMB901,000).

16 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").

16 Employee benefit plan (continued)

(a) Employee Cash Benefit Plan (continued)

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

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%

16 Employee benefit plan (continued)

(b) Fair value (continued)

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 2012.

17 Trade and other payables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Trade payables (a)	**910,703**	900,622
Related parties (Note 30 (c))	**407,743**	457,251
Third parties	**502,960**	443,371
Other payables	**465,557**	505,531
Related parties (Note 30 (c))	**3,303**	63,312
Third parties	**462,254**	442,219
	1,376,260	1,406,153

17 Trade and other payables (continued)

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

— Third parties

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within 3 months	**442,973**	400,362
Between 4 and 6 months	**31,609**	19,851
Between 7 and 12 months	**13,058**	13,538
Between 1 and 2 years	**10,875**	6,180
Between 2 and 3 years	**3,094**	2,321
Over 3 years	**1,351**	1,119
	502,960	443,371

— Related parties

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within 3 months	**281,750**	312,718
Between 4 and 6 months	**66,313**	142,260
Between 7 and 12 months	**59,495**	2,273
Over 1 year	**185**	—
	407,743	457,251

18 Borrowings

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Non-current		
Bank borrowings	**644,135**	52,972
Current		
Bank borrowings	**1,858,682**	2,437,589
Other financial institution borrowings	**–**	3,000
Total Bank borrowings	**2,502,817**	2,493,561

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Unsecured	**1,449,346**	2,477,001
Secured	**1,053,471**	16,560
Total Bank borrowings	**2,502,817**	2,493,561

The Group has bank borrowings of RMB1,053,471,000 secured by related party as at 30 June 2012. The Group has no borrowings secured by property, plant and equipment, and land use rights.

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	**2,493,561**
Additions	**3,118,270**
Repayments of borrowings	**(3,109,014)**
Closing amount as at 30 June 2012	**2,502,817**
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

(All amounts in RMB thousands unless otherwise stated)

18 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 2012	Audited 31 December 2011
Within 6 months	**1,957,817**	2,366,735
6–12 months	**545,000**	126,826
	2,502,817	2,493,561

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

	Unaudited 30 June 2012	Audited 31 December 2011
Bank borrowings	**6.52%**	6.89%

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.

The Group has undrawn borrowing facilities of RMB2.07 billion as at 30 June 2012. (as at 30 June 2011: RMB2.29 billion)

19 Convertible bonds

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Convertible Bonds due 2016, liability components	**674,827**	639,122
Fair value of embedded derivatives	**77,345**	86,206
	752,172	725,328

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.

19 Convertible bonds (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.

(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.

19 Convertible bonds (continued)

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 31 December 2011	86,206
Less: Fair value of conversion rights as at 30 June 2012	(77,345)
Fair value changes of conversion rights	8,861

The fair value change in the conversion right for the period ended 30 June 2012 is RMB8,861,000, 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 2012 amounted to RMB52,244,000, which is calculated using the effective interest method with an effective interest rate of 16.45%.

	RMB'000
Liability component as at 31 December 2011	639,122
Add: Interest expense for the period (note 23)	52,244
Unrealised exchange loss (note 23)	2,296
Less: Interest payment during the period	(18,835)
Liability component as at 30 June 2012	674,827

The fair value of the liability component of the 2016 Convertible Bonds at 30 June 2012 amounted to RMB817,214,000. The fair value is calculated using cashflows discounted at a rate of 10.12%.

20 Other income — net

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Government subsidy income	**112,426**	91,278
Gain from disposal of a 50% equity interest in a subsidiary	**47,312**	—
Net income from sales of materials and scrap	**3,305**	25,295
Amortisation of deferred government grants	**1,003**	1,632
Net income from sales of trucks	**—**	—
Sales of trucks	**16,515**	12,735
Cost of trucks	**(16,515)**	(12,735)
Others	**7,816**	9,688
	171,862	127,893

21 Expenses by nature

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Raw materials used in inventories (note 10)	**930,634**	1,106,645
Advertising and other marketing expenses	**246,521**	334,085
Depreciation of property, plant and equipment (note 6)	**177,060**	145,988
Employee benefit expense (note 22)	**153,842**	118,399
Water and electricity	**106,747**	89,197
Transportation and related charges	**79,443**	74,303
Repairs and maintenance	**15,378**	8,186
Disposal and impairment loss of inventories	**13,332**	7,228
Travelling expense	**12,860**	12,655
Land use tax	**11,978**	8,442
Office and communication expenses	**9,863**	12,622
Amortisation of trademark and license right (note 7)	**9,809**	10,076
Amortisation of land use right (note 8)	**8,162**	7,992
Impairment loss for trade and other receivables	**4,751**	10,586
Rental expenses	**3,513**	5,673
Other expenses	**23,456**	30,120
Total cost of sales, selling and marketing expenses and administrative expenses	**1,807,349**	1,982,197

22 Employee benefit expense

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
Wages and salaries		**131,909**	107,393
Contributions to pension plan and other benefits	(a)	**27,796**	10,105
Share-based payment (credit)/expenses	30(b)	**(5,863)**	901
		153,842	118,399

(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 2012 and 2011 were as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries, wages and bonuses	**1,834**	1,870
Contributions to pension plan	**14**	27
Welfare and other expenses	**38**	29
	1,886	1,926

23 Finance costs

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Interest expenses:		
— Bank borrowings	**100,292**	65,873
— Interest expense relating to Convertible Bonds (note 19)	**52,244**	46,000
Exchange loss (excluding Convertible Bonds)	**13,604**	—
Exchange loss on liability component of Convertible Bonds (note 19)	**2,296**	—
Less: Interest capitalised	**(53,032)**	(58,307)
	115,404	53,566
Weighed average effective interest rate used to calculate capitalisation amount	**4.89%**	4.17%

24 Finance income

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Interest income — from bank deposits	**8,735**	2,367
Exchange gain (excluding Convertible Bonds)	**—**	32,772
Exchange gain on liability component of Convertible Bonds	**—**	13,162
	8,735	48,301

25 Income tax credit

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Current income tax — PRC enterprise income tax	**2,539**	21,803
Deferred income tax credit	**(13,519)**	(30,208)
	(10,980)	(8,405)

25 Income tax credit (continued)

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 2012 and for the year ended 31 December 2011 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.

26 (Losses)/earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June 2012 RMB'000	 2011 RMB'000
(Loss)/profit attributable to equity holders of the Company	**(32,167)**	149,113
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,477,953
Basic (losses)/earnings per share (RMB cents)	**(2.2)**	10.1

26 (Losses)/earnings per share (continued)

(b) Diluted

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

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
(Loss)/profit attributable to equity holders of the Company	**(32,167)**	149,113
Add: Interest expense relating to Convertible Bonds	**—***	16,697
Less: Unrealised exchange loss relating to Convertible Bonds	**—***	(2,579)
Less: Fair value changes of conversion rights of Convertible Bonds	**—***	(97,812)
(Loss)/profit attributable to equity holders of the Company, used to determine diluted earnings per share	**(32,167)**	65,419
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,477,953
Adjustment for Convertible Bonds (thousands)	**—***	18,906
Adjustment for share options (thousands)	**—****	—**
Weighted average number of ordinary shares for diluted (losses)/earnings per share (thousands)	**1,477,953**	1,496,859
Diluted (losses)/earnings per share (RMB cents)	**(2.2)**	4.4

* During the six month ended 30 June 2012, the impact of interest expense of, unrealised exchange loss of and fair value changes of conversion rights of the Convertible Bonds are antidilutive and have therefore been excluded from the calculation of diluted (losses)/earnings per share.

** In the first half year of both 2012 and 2011, share options are antidilutive and have therefore been excluded from the calculation of diluted (losses)/earnings per share.

27 Dividends

The board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2012 (corresponding period in 2011: nil).

28 Contingent liabilities

There were no material contingent liabilities as at 30 June 2012 (as at 31 December 2011: nil).

29 Commitments

(a) Capital commitments

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

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Purchase of property, plant and equipment	**65,707**	103,848

(b) Operating lease commitments

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

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

The Group is the lessee

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
No later than 1 year	**108**	2,214
Later than 1 year and no later than 5 years	**7,161**	8,000
Later than 5 years	**2,000**	—
	9,269	10,214

30 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	
	2012 RMB'000	2011 RMB'000
Sales of goods and services		
Sales of recyclable containers	**23,929**	17,448
Income for provision of power and other utilities	**2,946**	2,139
	26,875	19,587
Purchase of materials and services		
Purchase of raw materials	**332,956**	337,595
Rental expenses for land use rights and lease of property, plant and equipment	**1,000**	1,000
Expenses for power and other utilities	**—**	774
	333,956	339,369
Key management compensation		
Salaries, wages and bonuses	**3,633**	3,873
Contributions to pension plan	**53**	80
Welfare and other expenses	**167**	108
Share option expenses (Note 22)	**(5,863)**	901
	(2,010)	4,962

In the year of 2011 and 2012, 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.

30 Related-party transactions (continued)

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

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.

Discontinued transactions

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of raw materials to related parties	**640**	4,115

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

		Unaudited	Audited
		30 June	31 December
		2012	2011
	Note	RMB'000	RMB'000
Trade receivables	11	**4,790**	295
Other receivables due from related parties	11	**85,218**	100,912
Trade payables	17	**407,743**	457,251
Other balances due to related parties	17	**3,303**	63,312

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

31 Subsequent events

There were no significant events after 30 June 2012.

"Board"	the board of directors of our Company
"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 indirect 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.

* *For identification purpose only*