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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

(2) CREATION OF CONVERTIBLE PREFERENCE SHARES AND CONSEQUENTIAL AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

(3) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES

(4) APPLICATION FOR WHITEWASH WAIVER

(5) CONTINUING CONNECTED TRANSACTIONS

Exclusive financial adviser to the Company in respect of the proposed transaction

citi

Exclusive financial adviser to the China Hui Yuan Holdings in respect of the proposed transaction

UBS

Independent financial adviser to the whitewash independent board committee, the independent board committee and the Independent Shareholders

SOMERLEY LIMITED

THE ACQUISITION

On 23 May 2013, the Company, China Hui Yuan Holdings and Mr. Zhu entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase from China Hui Yuan Holdings the entire issued share capital of the Target Company, at a total consideration of approximately HK$4,939 million (equivalent to approximately RMB3,935 million), of which approximately HK$1,521 million is related to the liabilities of HK Sub to be assumed by the Company under the Restructuring Facility (which will be drawn down by HK Sub for the settlement of the Restructuring Deferred Payment) with the balance of the consideration of approximately HK$3,418 million to be settled by the allotment and issue of a total of 447,322,020 New Ordinary Shares at a price of HK$3.10 per New Ordinary Share and a total of 655,326,877 Convertible Preference Shares at a price of HK$3.10 per Convertible Preference Share. The New Ordinary Shares will be issued as fully paid and shall rank pari passu in all respects with the other Ordinary Shares in issue at the date of completion of the Acquisition, save in respect of any distribution or other corporate action the record date for which falls before the date of completion of the Acquisition. Completion of the Acquisition is conditional upon fulfilment of a number of conditions precedent.

LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, on the basis that one or more of the relevant ratios set out in Rule 14.07 of the Listing Rules exceeds 100% in relation to the Acquisition.

The Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, on the basis that China Hui Yuan Holdings holds approximately 41.89% of the Ordinary Shares and is therefore a connected person of the Company. Accordingly, the Acquisition is subject to the requirements for reporting, announcement and approval of the Independent Shareholders (by way of poll) under the Listing Rules.

PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes that the Convertible Preference Shares be created and that the memorandum and articles of association of the Company should be amended to incorporate the terms of the Convertible Preference Shares, which are summarised in the section headed "The Convertible Preference Shares" in this announcement. The amendments of the memorandum and articles of association are subject to the approval of the Shareholders by way of a special resolution at the EGM.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES

Under the Acquisition Agreement, the Company will issue a total of 447,322,020 New Ordinary Shares and a total of 655,326,877 Convertible Preference Shares to China Hui Yuan Holdings. The Company will seek the grant of a specific mandate from its shareholders to allot and issue the New Ordinary Shares and the Convertible Preference Shares in satisfaction of its obligation under the Acquisition Agreement.

TAKEOVERS CODE IMPLICATION AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Zhu (who through Huiyuan Holdings indirectly holds the entire issued share capital of China Hui Yuan Holdings, the controlling shareholder of the Company) and parties acting in concert with him own approximately 44.60% of the existing issued share capital of the Company. Immediately following completion of the Acquisition to China Hui Yuan Holdings, assuming (i) none of the Convertible Preference Shares are converted, (ii) none of the options granted under the Share Option Schemes are exercised and (iii) none of the Convertible Bonds are converted, the shareholding of Mr. Zhu and parties acting in concert with him will increase to approximately 57.47% of the enlarged issued ordinary share capital of the Company. Under Rule 26.1 of the Takeovers Code, Mr. Zhu and parties acting in concert with him will be required to make a mandatory general offer for all the issued Ordinary Shares not already owned or agreed to be acquired by Mr. Zhu or parties acting in concert with him, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

Completion of the Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made by Mr. Zhu to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders.

CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Acquisition, members of the Target Group will become subsidiaries of the Company. Ongoing purchase of raw materials (including fructose and agricultural products) and sale of used and recyclable containers are expected to continue to take place between certain companies controlled by Mr. Zhu or his associates and members of the Enlarged Group after completion of the Acquisition. On 23 May 2013, the Company and Beijing Huiyuan Beverage entered into the Raw Materials Purchase and Recyclable Containers Sales Agreement for the members of the Enlarged Group to purchase fructose and agricultural products from and to sell used and recyclable containers to Beijing Huiyuan Beverage and its associates. The agreement is conditional upon completion of the Acquisition. As Beijing Huiyuan Beverage, being an associate of Mr. Zhu, is a connected person of the Company, the transactions contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement therefore constitute continuing connected transactions for the Company, as defined under Rule 14A.14 of the Listing Rules. Based on the relevant ratios set out in Rule 14.07 of the Listing Rules, the transactions are subject to reporting, announcement, and annual review requirements under the Listing Rules.

GENERAL

Citi is the exclusive financial adviser to the Company in relation to the Acquisition. UBS is the exclusive financial adviser to China Hui Yuan Holdings in relation to the Acquisition.

An independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Leung Man Kit, Mr. Song Quanhou, Ms. Zhao Yali and Mr. Zhao Chen, has been constituted to consider the terms of the Acquisition Agreement and the proposal for grant of the Specific Mandate, and to make a recommendation to the Independent Shareholders. A whitewash independent board committee of the Company (comprising all non-executive Directors who have no direct or indirect interest in the Acquisition Agreement and the transaction contemplated thereunder, and the Whitewash Waiver, namely Mr. Leung Man Kit, Mr. Andrew Y. Yan, Mr. Song Quanhou, Ms. Zhao Yali and Mr. Zhao Chen) has been constituted to consider the fairness and reasonableness of the Whitewash Waiver, and to make a recommendation to the Independent Shareholders.

Somerley Limited has been appointed with the approval of the independent board committee as independent financial adviser to advise the independent board committee of the Company on the fairness and reasonableness of the transaction contemplated under the Acquisition Agreement. It will also advise the whitewash independent board committee of the Company on the fairness and reasonableness of the Whitewash Waiver.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to send to the Shareholders the circular in relation to the Whitewash Waiver within 21 days after the date of this announcement. The Company intends to apply to the SFC for a waiver from strict compliance with Rule 8.2 of the Takeovers Code as the Company needs to take time to prepare the information required to be included in the circular including details of the Acquisition and the Restructuring Facility and such other information as required under the Listing Rules. The circular will contain, amongst other things, details of the terms of the Acquisition Agreement, the proposed amendments to the articles of association to reflect the creation of the Convertible Preference Shares, the proposal for the grant of Specific Mandate and the Whitewash Waiver, a letter from its independent board committee, a letter from its whitewash independent board committee, a letter from the independent financial adviser, Somerley Limited, and a notice to convene the EGM to approve the Acquisition Agreement, the proposal for the grant of specific mandate to issue the New Ordinary Shares and the Convertible Preference Shares, and the Whitewash Waiver.

The Acquisition is conditional and may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Acquisition Agreement will lapse and the Acquisition will not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise caution when trading in the securities of the Company.

(I) THE ACQUISITION AGREEMENT

Date

23 May 2013

Parties

1. The Company, as purchaser;

2. China Hui Yuan Holdings, as seller and

3. Mr. Zhu, as guarantor of the seller's obligations.

Subject matter and consideration

The Acquisition Agreement, which was entered into after arm's length negotiations between the parties, sets out the terms and conditions upon which the Company has conditionally agreed to purchase from China Hui Yuan Holdings, and China Hui Yuan Holdings has conditionally agreed to sell to the Company, the entire issued share capital of the Target Company.

The total consideration payable by the Company to China Hui Yuan Holdings for the purchase of the Target Company is approximately HK$4,939 million (equivalent to approximately RMB3,935 million), of which approximately HK$1,521 million is related to the liabilities of HK Sub to be assumed by the Company under the Restructuring Facility (which will be drawn down by HK Sub for the settlement of the Restructuring Deferred Payment) with the balance of the consideration of approximately HK$3,418 million to be settled in full at completion of the Acquisition Agreement by the allotment and issue of a total of 447,322,020 New Ordinary Shares at an issue price of HK$3.10 per share and a total of 655,326,877 Convertible Preference Shares at an issue price of HK$ 3.10 per share.

The consideration has been arrived at after arm's length negotiations between the parties with reference to, among other things, (i) the audited net profit of the Target Group for the year ended 31 December 2012 of approximately RMB358 million (equivalent to approximately HK$449 million, where 79.4% of the revenue and 78.4% of gross profit of the Target Group were derived from the Group, (ii) a price-to-earnings ("P/E") multiple of 11 times, and (iii) the Restructuring Facility of US$196 million (equivalent to approximately HK$1,521 million) to be assumed by the Company from HK Sub upon completion of the Acquisition, as follows:

	HK$ million *(approx.)*
Consideration to be settled by issue of New Ordinary Shares and Convertible Preference Shares	3,418
Plus:	
Restructuring Facility to be assumed by the Company	1,521
Total Consideration for the Target Group	4,939

The Company has conducted a number of valuation analyses including, but not limited to, comparable precedent transaction analysis. Comparable precedent transactions were primarily selected on the criteria that the target operated in the same industry and in the same geography. The transaction also needed to have occurred in a recent time period to be relevant. As the Target Group is one of the largest producers of juice concentrates and purees in China, comparable transactions were identified since January 2010 which involved acquisitions of juice concentrate companies only in Hong Kong and China. Among the comparable transactions identified, the Company focused on those where the target was profitable since the Target Group is profitable. Based on these criteria, an exhaustive list of five comparable transactions was identified. Details of these comparable transactions are set out below:

Date of announcement	Target company (% shareholding being acquired)	Principal activities of the target company and its subsidiaries	Buyer	Consideration	Implied P/E
26 April 2011	Xianyang Andre Juice Co., Ltd. (50%)	Manufacture and sale of juice	AGRANA Juice Holding GmbH	EUR11.5 million (equivalent to approximately HK$129.7 million)*	N/A (loss making)
26 April 2011	Yongji Andre Juice Co., Ltd. (50%)	Manufacture and sale of juice	Yantai North Andre Juice Co., Ltd.	EUR6.0 million (equivalent to approximately HK$67.7 million)*	N/A (loss making)
11 October 2010	BPG Food & Beverage Holdings Ltd. (100%)	Producer and seller of tropical fruit juice concentrates	Asian Citrus Holdings Ltd.	HK$2,040.7 million	12.6
9 April 2010	Yi Tian Juice (Shaanxi) Co., Ltd. and Laiyang Yi Tian Juice Co., Ltd. (100%)	Manufacturing and processing of juice concentrates	China Haisheng Juice Holdings Co., Ltd.	Comprising of approximately RMB26.5 million in cash plus approximately HK$50.4 million in stock (equivalent to approximately HK$80.6 million in total)*	N/A (loss making)
12 March 2010	Beijing Shunxin Qianshou Fruit Beverage Co., Ltd. (90%)	Producer of juices and juice concentrates	Shunxin Group Co., Ltd.	Approximately RMB157.1 million (equivalent to approximately HK$197.2 million)	N/A (loss making)

Source: announcements or circulars published on the website of the Stock Exchange and the Shenzhen Stock Exchange.

* Denotes the transaction where equivalent HK$ value is taken from the corresponding deal announcement.

Four of these five transactions involved target companies that recorded a net loss attributable to the shareholders at the time of acquisition and therefore are considered to be not meaningful in conducting comparable precedent transaction analysis relating to the Acquisition. The most relevant transaction the Company identified was the acquisition of BPG Food & Beverage Holdings Ltd. by Asian Citrus Holdings Ltd. (73.HK), in October 2010.

Asian Citrus Holdings Ltd. (73.HK), an AIM-listed company with a dual listing on the Hong Kong Stock Exchange, acquired the entire shareholding in BPG Food & Beverage Holdings Ltd. for an aggregate consideration of approximately HK$2,041 million in October 2010. Asian Citrus Holdings Ltd. (73.HK) had a market capitalisation of approximately HK$9,591 million as of the date of the completion of its acquisition of BPG Food & Beverage Holdings Ltd.

BPG Food & Beverage Holdings Ltd., together with its subsidiaries, was principally engaged in the production and sale of tropical fruit juice concentrates, fruit purees, frozen fruits and vegetables, dried fruits, and beverages in China. BPG Food & Beverage Holdings Ltd. recorded revenue and net profit attributable to shareholders of approximately RMB467 million and RMB108 million respectively for the fiscal year 2009.

The consideration of approximately HK$2,041 million was settled by a combination of

(i) HK$780 million of cash; and

(ii) Approximately HK$1,261 million by the allotment and issue of new shares in Asian Citrus Holdings Ltd.

The Company believes that this is the most directly relevant transaction because (i) the target group in this transaction was generating a profit at the time of acquisition, (ii) Asian Citrus Holdings Ltd. was acquiring a company engaged in the manufacturing and selling of fruit juice concentrates and purees in China, (iii) this acquisition created synergies through vertical integration, similar to the circumstances of the Acquisition and (iv) this transaction involved the issue of the shares of Asian Citrus Holdings Ltd. to settle part of the consideration, which is similar to the Acquisition.

Given that this precedent transaction is similar with and comparable to the Acquisition, the Company believes this is the only transaction relevant to the Acquisition, and is sufficient as the reference in determining the consideration of the Acquisition.

Apart from the comparable precedent transaction analysis, the Company had also considered comparable trading analysis of other listed companies listed on the Stock Exchange, but have concluded that none of the companies were directly comparable to the Target Group in terms of their businesses, product diversification, and operating scale, and thus it is not a relevant valuation methodology with respect to the Acquisition. As such, the Company relied on the comparable precedent transaction analysis and considered that the aforementioned transaction is sufficient and the most relevant reference in determining the valuation of the Target Group, which supported the Company's arm's length negotiations in determining the consideration.

The Company believes that since the Target Group is a continuously operating and earnings generative business, the net asset value and the price to net asset value ratio are not relevant benchmarks in determining the valuation of the Target Group.

Conditions

Completion of the Acquisition Agreement is conditional upon, amongst other things, the following conditions being fulfilled (or where capable of waiver, waived):

(i) the passing of resolutions of the Independent Shareholders in accordance with the Listing Rules and the Takeovers Code approving, amongst other things, the Acquisition, an increase in the authorised share capital of the Company (if required) and creation of the Convertible Preference Shares, the issue of the New Ordinary Shares and Convertible Preference Shares pursuant to the Acquisition Agreement, and the Whitewash Waiver;

(ii) the Executive having granted (and not having withdrawn) the Whitewash Waiver;

(iii) the Acquisition having been cleared by MOFCOM unconditionally or subject to such conditions as in the reasonable view of the Company do not and are not likely to have a material effect on the business of the Company and its subsidiaries following completion of the Acquisition;

(iv) a definitive agreement for the Restructuring Facility having been entered into by HK Sub on terms reasonably satisfactory to the Company;

(v) either (A) the Restructuring Facility having been drawn down in full by HK Sub and the proceeds having been used by HK Sub to pay Beijing Huiyuan Beverage in full for the settlement of the Restructuring Deferred Payment or (B) the Company being reasonably satisfied that all conditions precedent to the ability of HK Sub to draw down in full the Restructuring Facility immediately after Completion have been satisfied (other than any condition precedent which by its nature can only be satisfied on or following Completion) and that there is no impediment to the ability of HK Sub to draw down the Restructuring Facility in full immediately following Completion and to apply the proceeds in full settlement of the Restructuring Deferred Payment;

(vi) the Company being reasonably satisfied that the rights and obligations of HK Sub under the Restructuring Facility will be novated to the Company and that prior to and upon such novation there is no default under the Restructuring Facility nor any likelihood of a default occurring; and

(vii) the listing of, and permission to deal in, the New Ordinary Shares having been granted by the Stock Exchange (subject to allotment), and such grant not having been revoked.

The conditions set forth in paragraphs (i), (ii), (iii) and (vii) are not waivable.

Completion

Completion of the Acquisition is expected to take place on the third business day after fulfilment (and/or, where capable of waiver, waiver) of all the conditions. Following completion of the Acquisition, the Target Company and its subsidiaries will become subsidiaries of the Company and their financial results will be consolidated into the financial statements of the Company.

If all of the conditions have not been fulfilled (or waived in respect of the conditions set out in (iv), (v) and (vi) above only, since other conditions are non-waivable on or before the Long Stop Date, the Acquisition Agreement will terminate.

Other terms of the Acquisition Agreement

The Acquisition Agreement contains warranties and indemnities from China Hui Yuan Holdings in favour of the Company in relation to the Target Group and the Acquisition and the Company has given warranties to China Hui Yuan Holdings concerning issuance of the New Ordinary Shares, the Convertible Preference Shares and certain other matters.

The obligations of China Hui Yuan Holdings under the Acquisition Agreement have been guaranteed by Mr. Zhu.

In addition, each of China Hui Yuan Holdings and Mr. Zhu has entered into 5 year non-compete and non-solicitation covenants with the Company which are in addition to those covenants set out in the Non-competition Deed. Pursuant to these covenants, each of China Hui Yuan Holdings and Mr. Zhu shall not, and shall procure that none of its affiliates shall, for a period of five years after Completion, except for certain customary exceptions:

(i) be concerned in any business carrying on business which is competitive with any of the businesses carried on by the Enlarged Group at Completion; or

(ii) except on behalf of a member of the Enlarged Group canvass or solicit orders for goods of a similar type to those being manufactured or dealt in or for services similar to those being provided by any member of the Enlarged Group at Completion from any person who is at Completion or has been at any time within one year prior to Completion a customer of any member of the Enlarged Group; or

(iii) induce or attempt to induce any person, who is at Completion or has been at any time within one year prior to Completion a supplier of goods or services to any member of the Enlarged Group, to cease to supply, or to restrict or vary the terms of supply, to any member of the Enlarged Group; or

(iv) induce or attempt to induce any person who is at Completion a director or senior employee of any member of the Enlarged Group to leave the employment of that company; or

(v) employ or attempt to employ any person who is at Completion a director or senior employee of any member of the Enlarged Group.

The covenants will bind China Hui Yuan Holdings and Mr. Zhu continuously until the expiration of the 5-year term regardless whether or not the Non-competition Deed terminates during the 5-year term.

The Convertible Preference Shares

A summary of the principal terms of the Convertible Preference Shares is set out below.

Par value	US$0.00001 each
Conversion period	Any time after issue, provided that a holder may not exercise his conversion right to the extent that it would result in the Company failing to comply with any public float requirement under the Listing Rules applicable to the Company.
Conversion ratio	Each Convertible Preference Share shall be convertible into Ordinary Share(s) at the conversion rate. The conversion rate shall initially be one Ordinary Share for each Convertible Preference Share but is subject to adjustment upon the occurrence of certain prescribed events (including consolidation or subdivision of Ordinary Shares, capitalization of profits or reserves, and rights and certain other issues of Ordinary Shares at a discount to the prevailing market price), but provided that the conversion price shall not be less than the then subsisting nominal value of a Ordinary Share into which such Convertible Preference Share is being converted. If any adjustment is required to be made to the conversion price, a further announcement will be made by the Company.
Ordinary Shares issued on conversion	The Ordinary Shares which fall to be issued upon conversion of the Convertible Preference Shares will be issued as fully paid and will rank pari passu in all respects with the Ordinary Shares in issue as at the date of conversion, save in respect of any distribution or other corporate action the record date for which falls before the date of conversion. The Company will ensure that the Ordinary Shares issued upon conversion are listed.
Dividends and distributions	Each Convertible Preference Share shall confer on the holder thereof the right to receive dividends and other distributions pari passu with holders of Ordinary Shares on the basis of the number of Ordinary Share(s) into which each Convertible Preference Share may be converted and on an as converted basis.

Voting rights	The holder(s) of Convertible Preference Shares shall not have the right to attend and vote at a general meeting (except a general meeting for winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder(s) or vary the restrictions to which the Convertible Preference Shares are subject).
Ranking	On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority: (i) firstly, in paying to the holders of the Convertible Preference Shares, pari passu as between themselves by reference to the aggregate nominal amounts of the Convertible Preference Shares held by them respectively, an amount equal to, respectively, the aggregate of the issue price of all of the Convertible Preference Shares held by them respectively; and (ii) secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of the shares held by them respectively; and (iii) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount of shares held by them respectively.
Transferability	The Convertible Preference Shares shall be transferable without any restriction by the holders thereof.
Redemption	The Convertible Preference Shares shall be non-redeemable by the Company or the holders thereof.
Listing	No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange.

Amendment of Non-competition Deed

As disclosed in the Company's Prospectus, on 3 February 2007, Mr. Zhu, China Hui Yuan Holdings and Huiyuan Holdings (together, the "Non-Compete Covenantors") entered into a Non-competition Deed in favor of the Company. Pursuant to the deed, each of the Non-Compete Covenantors has undertaken to the Company that he or it would not, and would procure that his or its associates (except any members of the Group) would not, during the Restricted Period, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business in the PRC which is or may be in competition with the core business of the Group, i.e., production and sale of all kinds of ready-to-drink beverages, including but not limited to fruit juices, vegetable juices, mixed fruit and vegetable juices, ready-to-drink tea and bottled water (the "Restricted Business"), save for (i) the milk business which then formed part of the Retained Business (as defined in the Non-competition Deed and including production and sale of fruit juice concentrates and purees which is currently operated by the Target Group), and (ii) any business investment or other commercial opportunity in the PRC relating to the Restricted Business which the Company has declined to undertake and which, as decided by the Board committee comprising the independent non-executive directors of the Company, would not constitute competition with the Group's core business.

If the Acquisition is completed, the business of the Group would be enlarged to include the business of the Target Group, i.e., production and sale of fruit juice concentrates and purees which currently forms the principal part of the Retained Business. Accordingly, the parties to the Non-competition Deed have entered into a deed of amendment, effective upon the completion of the Acquisition, to the effect that the definition of the Restricted Business under the Non-competition Deed will be amended to cover the production and sale of fruit juice concentrates and purees and the scope of the Retained Business shall be reduced correspondingly.

Shareholding structure before and after completion of the Acquisition

Chart 1 — Immediately before completion of the Acquisition

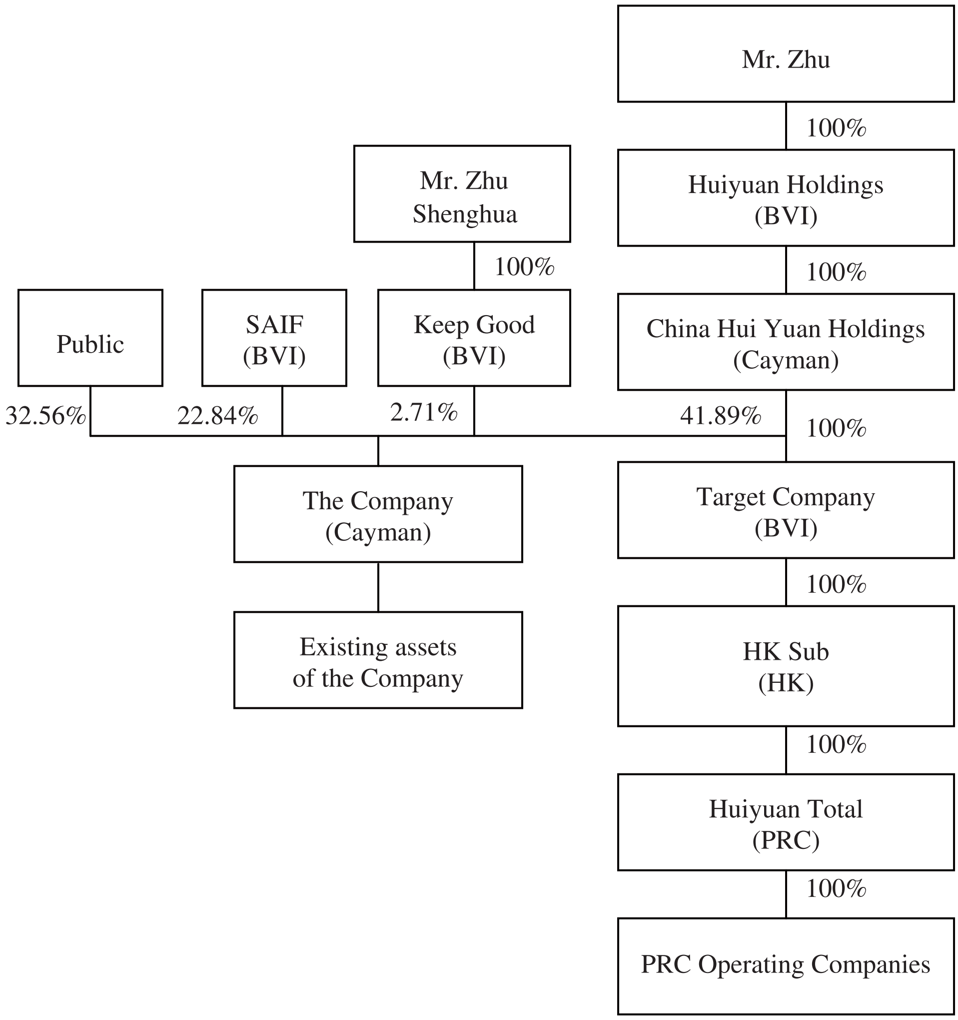
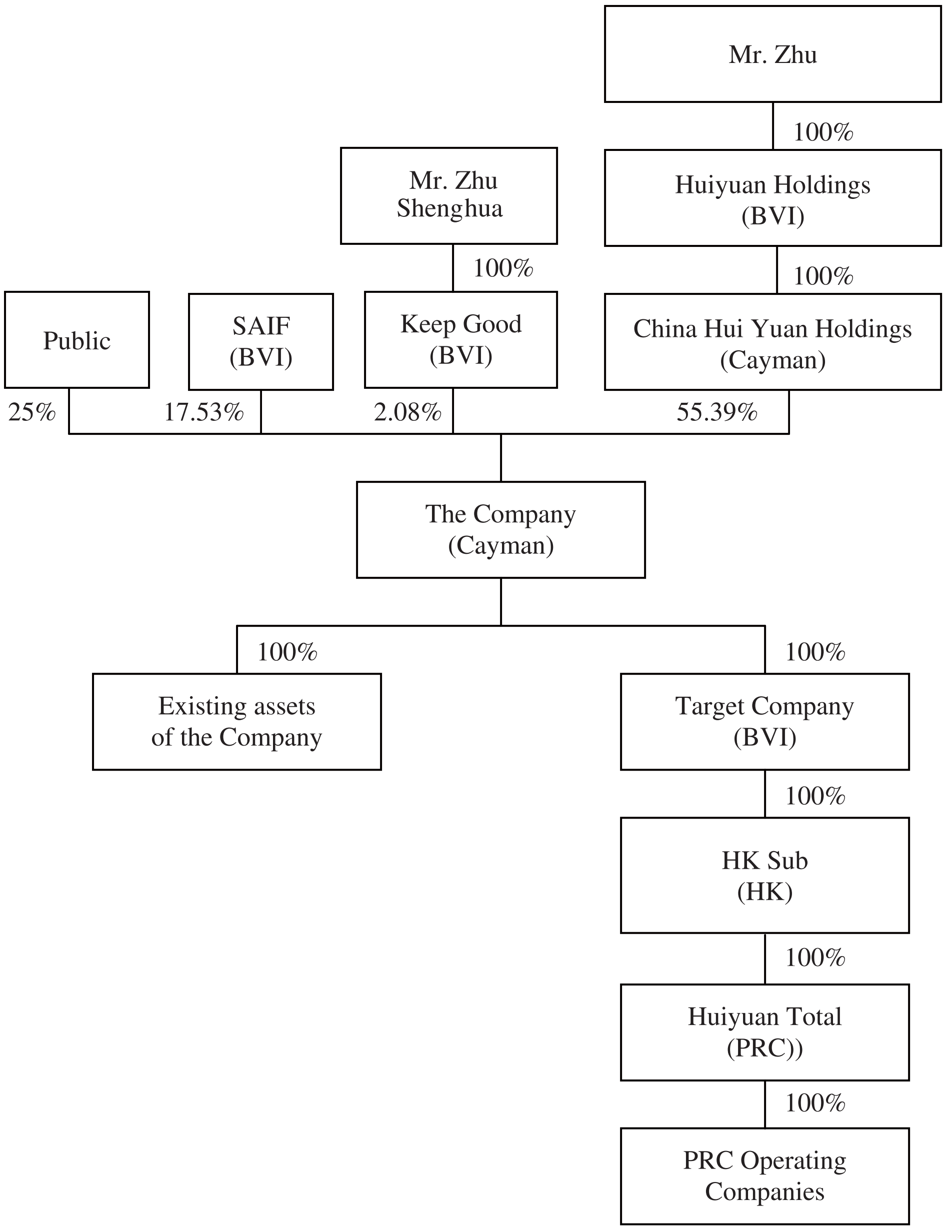


Chart 2 — Immediately after completion of the Acquisition assuming (i) none of the Convertible Preference Shares are converted, (ii) none of the options granted under the Share Option Schemes are exercised and (iii) none of the Convertible Bonds are converted



Financing of the Restructuring

The Target Group conducted the Restructuring in order for the Target Company to become the holding company of the Target Group. In connection with the Restructuring, in August 2011, HK Sub acquired a 96.47% interest in Huiyuan Total from Beijing Huiyuan Beverage, a company wholly owned by Mr. Zhu and his family members. The consideration for this acquisition was US$196 million (equivalent to approximately HK$1,521 million) (the "Restructuring Deferred Payment") which was determined based on the appraised net asset value of Huiyuan Total and its subsidiaries in an appraisal report of a qualified third party PRC appraiser submitted in accordance with PRC regulatory requirements and processes. Given that both HK Sub and Beijing Huiyuan Beverage are indirectly wholly-owned companies of Mr. Zhu, the acquisition was only an internal restructuring of assets of Mr. Zhu and would not generate a new source of revenue for Mr. Zhu. As such, an earnings based valuation is not relevant for the restructuring process and the valuation conducted in 2011 in connection with the internal restructuring of Mr. Zhu's assets does not provide an appropriate or relevant basis of valuation for the Acquisition.

Although there has been no substantial change in the business nature of the Target Group since the restructuring, the consideration for the Acquisition was determined on a different basis because it is based on arm's length commercial negotiations between a willing buyer and a willing seller who are different parties to the Acquisition Agreement, and involves the acquisition of a new business that is continuously operating and generates new sources of revenues for the Group. Accordingly, an earnings based valuation is considered most relevant in such circumstances.

The acquisition of the 96.47% interest in Huiyuan Total by HK Sub from Beijing Huiyuan Beverage has been approved by Beijing Municipal Commission of Commerce and Beijing Municipal Commission of Development and Reform, and Huiyuan Total has completed the shareholder amendment registration with the relevant PRC industrial and commerce authorities. Such acquisition has also obtained all necessary PRC governmental approvals. Immediately before the acquisition by HK Sub from Beijing Huiyuan Beverage of the 96.47% interest, Huiyuan Total was owned as to 3.53% by HK Sub and as to 96.47% by Beijing Huiyuan Beverage. Subsequent to this acquisition of the 96.47% interest in Huiyuan Total by HK Sub, HK Sub has become the 100% shareholder of Huiyuan Total as reflected in the business license of Huiyuan Total dated 26 August 2011.

Beijing Huiyuan Beverage and HK Sub agreed that settlement of the Restructuring Deferred Payment would be delayed until a further date deemed to be appropriate. In order to fund the settlement of the Restructuring Deferred Payment, HK Sub intends to enter into the Restructuring Facility. In this connection, HK Sub has entered into a commitment letter with a bank in relation to a US$196 million term loan facility to be provided by the bank subject to a definitive facility agreement. It is intended that the Restructuring Facility will be entered into by HK Sub prior to completion of the Acquisition and that immediately after completion of the Acquisition the Restructuring Facility will be drawn down in full by HK Sub and the proceeds will be applied in paying the Restructuring Deferred Payment. The liabilities of HK Sub in respect of the Restructuring Facility will then be assumed by the Company in place of HK Sub. Therefore, completion of the Acquisition is conditional upon, among other things, a definitive agreement for the Restructuring Facility having been entered into on terms reasonably satisfactory to the Company, all conditions precedent to draw down the Restructuring Facility having been satisfied (other than any conditions precedent which can only be satisfied on or after completion of the Acquisition) and the Company being reasonably satisfied that there is no default under the Restructuring Facility and no likelihood of such a default arising. Mr. Zhu or his representatives will be involved in the negotiation of the Restructuring Facility (as (i) the director of HK Sub and (ii) the existing ultimate shareholder of HK Sub who may be required to provide security for the facility), as will representatives of the Company (in which Mr. Zhu is an executive director and the Chairman).

As the terms of the Restructuring Facility are subject to the definitive agreement which is expected to be entered into prior to the dispatch of the circular, it is expected that major terms of the Restructuring Facility will be disclosed in the circular.

(II) INFORMATION ON THE NEW ORDINARY SHARES

The New Ordinary Shares will be issued fully paid and will rank pari passu in all respects with the Ordinary Shares in issue at the date of completion of the Acquisition, save in respect of any distribution or other corporate action the record date for which falls before the date of completion of the Acquisition. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Ordinary Shares.

The price at which the New Ordinary Shares are to be issued was determined based on arm's length negotiations between the Company and China Hui Yuan Holdings and Mr. Zhu with reference to the historical market price of the Ordinary Shares. The issue price of HK$3.10 per New Ordinary Share represents:

(a) a discount of approximately 5.20% to HK$3.27, the closing price of the Ordinary Shares on the Stock Exchange on 23 May 2013, being the last trading day prior to this announcement;

(b) a discount of approximately 7.74% to HK$3.36, the closing price of the Ordinary Shares on the Stock Exchange on 14 March 2013, being the last trading day prior to the date of the Possible Acquisition Announcement;

(c) a discount of approximately 0.70% to approximately HK$3.12, the average closing price of the Ordinary Shares on the Stock Exchange for the last 10 full trading days prior to the date of the Possible Acquisition Announcement;

(d) a premium of approximately 1.97% over approximately HK$3.04, the average closing price of the Ordinary Shares on the Stock Exchange for the last 30 full trading days prior to the date of the Possible Acquisition Announcement; and

(e) a premium of approximately 5.50% over approximately HK$2.94, the average closing price of the Ordinary Shares on the Stock Exchange for the last 60 full trading days prior to the date of the Possible Acquisition Announcement.

The issue price was determined with reference to the average closing price for the last 30 and 10 full trading days prior to the date of the Possible Acquisition Announcement, which is HK$3.04 and HK$3.12, respectively. The issue price also represents approximately 7.74% discount to HK$3.36, the closing price on 14 March 2013, being the last trading day prior to the date of the Possible Acquisition Announcement.

Effect of the issue of the New Ordinary Shares and Convertible Preference Shares on the shareholding structure of the Company

Details of the shareholding structure of the Company before and after completion of the Acquisition are set out below:

	As at the date of this announcement		Immediately after completion of the Acquisition but before conversion of any of the Convertible Preference Shares assuming the options granted under the Share Option Schemes are not exercised and the Convertible Bonds are not converted		Immediately after completion of the Acquisition and conversion of all the Convertible Preference Shares assuming the options granted under the Share Option Schemes are not exercised and the Convertible Bonds are not converted (This scenario is unlikely to happen and this column is set out for illustration purposes only)	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Mr. Zhu and parties acting in concert	659,136,588	44.60%	1,106,458,608	57.47%	1,761,785,485	68.27%
Mr. Andrew Y. Yan and parties acting in concert	337,497,501	22.84%	337,497,501	17.53%	337,497,501	13.08%
Public	481,318,703	32.56%	481,318,703	25.00%	481,318,703	18.65%
Total	**1,477,952,792**	**100%**	**1,925,274,812**	**100%**	**2,580,601,689**	**100%**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares to be issued upon conversion of the Convertible Preference Shares. The Convertible Preference Shares will not themselves be listed.

Under the terms of the Convertible Preference Shares, a holder of Convertible Preference Shares may not exercise his right to convert those shares into Ordinary Shares to the extent that upon exercise of the conversion right the public float requirement as set out under the Listing Rules cannot be complied with.

(III) INFORMATION ABOUT THE TARGET GROUP

The Target Group is one of the leading producers of fruit juice concentrates and purees in China and sells its products mainly in China. Key products of the Target Group include fruit juice concentrates and purees as well as packaging materials for the juice beverage industry. The total capital contribution to the Target Group made by Mr. Zhu is approximately US$142.9 million.

The Target Group currently comprises 15 companies, of which 13 companies are strategically located in China. Its annual designed production capacity as at 31 December 2012 was approximately 380,000 tonnes of fruit juice concentrates and purees.

The Target Group is one of the major suppliers of raw materials for the Group. Besides the Group, the major customers of the Target Group include a number of leading food producers in China. The Target Group has received wide recognition in the market due to the quality of the products and services it provides to the food industry. For the year ended 31 December 2012, the Target Group's sales to parties other than the Group amounted to RMB286 million (equivalent to approximately HK$359 million), representing 20.6% of the Target Group's total sales for the year of 2012. Gross profit attributable to parties other than the Group amounted to RMB88 million (equivalent to approximately HK$110 million), representing 21.6% of the Target Group's total gross profit for the financial year ended 31 December 2012. The net income from sales to the Group only is not available because central costs are not allocated between sales to the Group and sales to third parties other than the Group.

According to the audited accounts of the Target Group prepared under International Financial Reporting Standards:

(i) the consolidated net profit of the Target Group before taxation for the years ended 31 December 2011 and 2012 were approximately RMB290 million (equivalent to approximately HK$364 million) and approximately RMB369 million (equivalent to approximately HK$464 million), respectively; and

(ii) the consolidated net profit of the Target Group after taxation for the years ended 31 December 2011 and 2012 were approximately RMB275 million (equivalent to approximately HK$345 million) and approximately RMB358 million (equivalent to approximately HK$449 million), respectively.

According to the audited accounts of the Target Group prepared under International Financial Reporting Standards, the consolidated net asset value of the Target Group as at 31 December 2012 was approximately RMB682 million (equivalent to approximately HK$857 million). The decrease in net asset value of the Target Group as at 31 December 2012 from approximately HK$1,521 million as at 31 July 2011 is due to the Restructuring being accounted for as a reorganization under common control. Prior to the Restructuring, the assets and liabilities of the Target Group which were held separately by Mr. Zhu and not under a single holding structure have been presented under the combined accounting methodology from the date when the entities comprising the Target Group first came under the control of Mr. Zhu. Upon the completion of the restructuring whereby the HK Sub acquired Huiyuan Total and the PRC Operating Companies under a single holding structure, the assets and liabilities of the Target Group have been presented under the consolidated accounting methodology.

For a reorganization under common control, the acquisition of the 96.47% interest in Huiyuan Total by the HK Sub does not increase the assets of the Target Group. The Restructuring Deferred Payment by HK Sub for the acquisition results in a deemed distribution of cash to Beijing Huiyuan Beverage thereby decreasing the shareholders equity of the Target Group under the consolidated accounting methodology compared to presentation under the combined accounting methodology. The decrease in shareholder's equity reduces the net asset value of the Target Group. If HK Sub were to issue new equity for the acquisition of Huiyuan Total, the shareholder's equity of the Target group would be subsequently increased by the consideration amount. However, as the Restructuring Deferred Payment from the HK Sub to Beijing Huiyuan Beverage for the acquisition of the 96.47% interest in Huiyuan Total remains outstanding, it is recorded in the consolidated financial statements of the Target Group as a liability of HK Sub.

(IV) INFORMATION ABOUT THE PARTIES

The Company is an investment holding company incorporated under the laws of the Cayman Islands. Its Ordinary Shares have been listed on the Main Board of the Stock Exchange since 23 February 2007.

The Group is a leading manufacturer of fruit and vegetable juice in China and is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. Most of the products of the Group are sold under the brand of "Huiyuan" which the executive Directors believe is one of the most familiar and recognized fruit and vegetable juices brands among Chinese consumers.

China Hui Yuan Holdings is an investment holding company principally engaged in the business of financial investments.

(V) REASONS FOR AND BENEFITS OF THE ACQUISITION OF TARGET COMPANY

China's fruit and vegetable juice beverage market has continued to grow over the past few years in line with growth in disposable income and rising demand for natural and healthy products such as fruit and vegetable juices.

The consumer beverage industry has seen many changes since the Company's IPO. Competition in the beverage market has increased significantly as the leading market players have grown much larger relative to the rest of the market. With the advantage of scale, these companies can launch new products into the market much faster and with a higher probability of success than smaller market participants. In addition, with the growing focus on health and concern on carbonated soft drinks globally, large beverage providers have turned to alternative and healthy beverage offerings, with juice based drinks being one of them. Strategic cooperation between international and domestic players has also led to larger, stronger competitors in the market. While the regulatory environment has not changed significantly, the scale required to compete in today's beverage market against the leading market players creates a natural and significant barrier to entry for new market entrants and although the market has grown, the increased competition has resulted in higher costs. The Group's operating results in the past few years have reflected these challenging operating conditions.

The Group is a leading fruit and vegetable juice producer in China and is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. The Group strives to continue to focus on the fast-growing juice market in China and further increase its market share.

The Target Group is principally engaged in the production of fruit juice concentrates and purees as well as packaging materials. It is a leading producer of juice concentrates and fruit purees in China and is one of the major suppliers of raw materials for the Group.

The executive Directors believe that the Acquisition is aligned with the Group's strategies and in the best interest of the Group to better compete in current market environment. The Acquisition will be of strategic significance to the Group in the following aspects:

(i) ***Transforms the Group into a vertically-integrated business model and secures long-term access to key raw materials:*** The Target Group is one of the major suppliers of raw materials for the Group. In 2012, the total raw materials purchased from the Target Group as a percentage of total cost of goods sold amounted to 38.5% and constituted 43.1% of total raw materials purchased by the Group. The Acquisition of the Target Group will transform the Group into a vertically-integrated business with operations along the value chain from fruit processing to sales and marketing. It will also ensure that the Group will continue to have long-term access to key raw materials including fruit juice concentrates and purees, as well as packaging materials. Furthermore, it will provide the Group with access to and relationships with fruit producers who are in turn key suppliers of the Target Group and the Acquisition will ensure that the strategies and development of the Target Group are in line with those of the Group. As a vertically integrated juice and vegetable producer, the Group will be unique among market participants and will be better positioned to compete against its larger, more well established and financially stronger competitors.

(ii) ***Improves quality control and food safety controls:*** Ensuring the continued high quality and safety of our products is one of the highest priorities for the Group and is critical to the continued confidence of consumers in our brand. The executive Directors believe that having a vertically-integrated business model will enable the Group to ensure that such priorities are fully met as the Acquisition provides the Group with full visibility and control over the production process from sourcing and production to sales and distribution. Following the Acquisition, the Group will ensure that the highest standards of food safety and quality are implemented along the entire production chain.

(iii) ***Further diversifies our revenue and profits in the future:*** The products produced by the Target Group include fruit juice concentrates and purees, as well as packaging materials. The integration of the Target Group's operations and expertise with the Group's distribution and branding capabilities will allow the continued development of new product offerings resulting in incremental revenues. The executive Directors believe that following the Acquisition, with access to a full supply chain and fruit processing capabilities, the Group will continue to be able to grow this part of the business and generate new sources of revenues for the Group in the future.

(iv) ***Increases the transparency of the Group and significantly reduces connected transactions:*** The Target Group is one of the major suppliers to the Group and accounted for 43.1% of total raw materials purchased by the Group in 2012. In addition, the Target Group is currently 100% owned by Mr. Zhu, the controlling shareholder of the Group and as a result, there are significant connected transactions between the Group and the Target Group. The Acquisition of the Target Group would significantly reduce such connected transactions and would increase the operating and financial transparency of the Group.

(v) ***Improves the financial strength of the Group and allow it to continue to reinvest for future growth and profitability:*** The Acquisition will significantly enhance the financial strength of the Group. The Target Group is highly profitable and provides the Group with significant additional EBITDA, because although 79.4% of sales of the Target Group come from the Group itself, the Enlarged Group would save the corresponding amount in costs, which results in higher EBITDA. For the year ended 31 December 2012, based on audited accounts, the Target Group generated EBITDA of RMB417 million (equivalent to approximately HK$523 million), implying an EBITDA margin of 30.0%. This compares to EBITDA of RMB605 million (equivalent to approximately HK$759 million), implying an EBITDA margin of 15.2%, for the Group over the same period in 2012 based on audited accounts. The Enlarged Group's unaudited pro forma EBITDA for the year ended 31 December 2012 is RMB953 million, (equivalent to approximately HK$1,196 million), implying an EBITDA margin of 22.3%. The increase in EBITDA is derived from cost savings for the Group for raw materials no longer purchased from the Target Group and additional EBITDA from the Target Group from customers other than the Group. Details of the calculation are set out as follows:

	RMB million *(approx.)*
Group's EBITDA	605
Plus:	
Target Group's EBITDA	417
Less:	
Pro forma adjustments *(note)*	(69)
Enlarged Group's unaudited pro forma EBITDA	953

Note: Pro forma adjustments primarily represented elimination of unrealized profit on sales made by the Target Group for existing inventory in the Enlarged Group

According to the Target Group's audited accounts, as at the end of 2012, the total debt of the Target Group was approximately RMB293 million, representing a total debt to EBITDA ratio of 0.7 times for 2012. Including the Restructuring Facility of US$196 million (equivalent to HK$1,521 million), the Enlarged Group's unaudited pro forma total debt for 2012 would increase from RMB4,055 million (equivalent to approximately HK$5,090 million) as at 31 December 2012 to RMB5,287 million (equivalent to approximately HK$6,637 million), representing a total debt to EBITDA ratio of 5.5 times, which is lower than the corresponding ratio of the Group of 6.2 times. As at the end of 2012, the Group's debt to equity ratio was 71.2%. The debt to equity ratio for the Enlarged Group for the same period based on the unaudited pro forma financial information was 66.6%, which is lower than the Group prior to the Acquisition.

For the year ended 31 December 2012, the Group's audited net profit attributable to shareholders was approximately RMB16 million. The audited net profit of the Target Group for the year ended 31 December 2012 was approximately RMB 358 million. The unaudited pro forma net profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2012, assuming the Acquisition were completed as of 1 January 2012, was approximately RMB247 million (equivalent to approximately HK$310 million), which is derived from the net profit of the Group and the Target Group and takes into consideration an additional interest expense of RMB58 million related to the Restructuring Deferred Payment and other pro forma adjustments. Details of the calculation are set out as follows:

	RMB million *(approx.)*
Group's net profit	16
Plus:	
Target Group's net profit	358
Less:	
Additional interest expense related to the Restructuring Deferred Payment	(58)
Other pro forma adjustments *(note)*	(69)
The unaudited pro forma net profit attributable to shareholders of the Enlarged Group	247

Note: Other pro forma adjustments primarily represented the elimination of unrealized profit on sales made by the Target Group for existing inventory in the Enlarged Group

For the year ended 31 December 2012, the Group's earnings per share as shown in the audited accounts was RMB1.1 cents. Assuming the Acquisition were completed on 1 January 2012, the unaudited pro forma earnings per share of the Enlarged Group would have been RMB9.6 cents for the year ended 31 December 2012 which assumes the unaudited pro forma net profit attributable to shareholders of the Enlarged Group of RMB247 million and takes into consideration the allotment and issue of 447,322,020 New Ordinary Shares and 655,326,877 Convertible Preference Shares.

Despite the additional interest expense incurred by the Enlarged Group, the significant increase in EBITDA and net profit attributable to shareholders arising from the Acquisition improves the Enlarged Group's financial strength such that it can continue investing in its business to drive future growth.

(vi) ***Improves the Group's operational efficiency as well as generates potential synergies:*** The Acquisition and subsequent integration of the Target Group's business will allow for a more streamlined supply chain for the Group, and will enable the Group to be more competitive with its ability to roll out new products and to better adapt to changing trends in the industry. In addition to the elimination of the margin between the Group and the Target Group, the executive Directors expect to be able to further enhance operational efficiency and expect synergies to arise from a reduction in costs and certain general and administrative expenses, and an increase in sales to third parties and overseas clients of the Target Group leveraging on the marketing efforts of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors who will form their view after receiving the advice of the independent financial adviser) are of the view that the Acquisition will strengthen the Group's business profile and increase its competitiveness in the industry in addition to strengthening the financial profile of the Group. Furthermore, it will generate new initiatives to drive future growth in revenues and earnings. The Directors (excluding the independent non-executive Directors who will form their view after receiving the advice of the independent financial adviser) are also of the view that the Acquisition is fair and reasonable and in the interest of Company and the Shareholders as a whole.

(VI) LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, on the basis that one or more of the relevant ratios set out in Rule 14.07 of the Listing Rules exceeds 100% in relation to the Acquisition.

The Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, on the basis that China Hui Yuan Holdings holds approximately 41.89% of the Ordinary Shares and is therefore a connected person of the Company.

Accordingly, the Acquisition and the amendment of the Non-competition Deed in respect of change of the scope of the Restricted Business and the Retained Business are subject to the requirements for reporting, announcement and approval of Independent Shareholders (by way of poll) under the Listing Rules. China Huiyuan Holdings and its associates (as defined under the Listing Rules) will abstain from voting on the resolution for approving the Acquisition Agreement.

(VII) PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes that the Convertible Preference Shares be created and that the memorandum and articles of association of the Company should be amended to incorporate the terms of the Convertible Preference Shares, which are summarised in the section headed "The Convertible Preference Shares" in this announcement. The amendments of the memorandum and articles of association are subject to the approval of the Shareholders by way of a special resolution at the EGM.

(VIII) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES

Under the Acquisition Agreement, the Company will issue a total of 447,322,020 New Ordinary Shares and a total of 655,326,877 Convertible Preference Shares to China Hui Yuan Holdings. The Company will seek the grant of a specific mandate from its Shareholders to create the Convertible Preference Shares and to allot and issue New Ordinary Shares and Convertible Preference Shares in satisfaction of its obligation under the Acquisition Agreement.

(IX) TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Zhu (who through Huiyuan Holdings indirectly holds the entire issued share capital of China Hui Yuan Holdings, the controlling shareholder of the Company) and parties acting in concert with him own approximately 44.60% of the existing issued share capital of the Company. Immediately following completion of the Acquisition assuming (i) none of the Convertible Preference Shares are converted, (ii) none of the options granted under the Share Option Schemes are exercised and (iii) none of the Convertible Bonds are converted, the shareholding of Mr. Zhu and parties acting in concert with him will increase to approximately 57.47% of the enlarged issued ordinary share capital of the Company. Under Rule 26.1 of the Takeovers Code, Mr. Zhu and parties acting in concert with him will be required to make a mandatory general offer for all the issued Ordinary Shares not already owned or agreed to be acquired by Mr. Zhu or parties acting in concert with him, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

Completion of the Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made by Mr. Zhu to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse and the Acquisition will not proceed.

As at the date of this announcement, none of Mr. Zhu or any party acting in concert with him:

(i) save for the 44.60% of the existing issued ordinary share capital of the Company held as at the date of this announcement, holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company;

(ii) has secured an irrevocable commitment to vote in favour of or against the Acquisition and/or the Whitewash Waiver;

(iii) save for the Acquisition, has any arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Company or China Hui Yuan Holdings which might be material to the Acquisition and/or the Whitewash Waiver;

(iv) save for the Acquisition Agreement and the Restructuring Facility, has any agreement or arrangement to which Mr. Zhu or any party acting in concert with him is a party which relates to the circumstances in which he or it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and the Whitewash Waiver; or

(v) has borrowed or lent any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company.

Save for the entering into of the Acquisition Agreement, none of Mr. Zhu or any party acting in concert with him has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including the date of this announcement.

(X) CONTINUING CONNECTED TRANSACTIONS

Mr. Zhu holds the entire issued share capital of Huiyuan Holdings which in turn through China Hui Yuan Holdings holds approximately 41.89% of the existing issued Ordinary Share capital of the Company as at the date of this announcement. Upon completion of the Acquisition, the shareholding of Mr. Zhu will increase to approximately 55.39% of the enlarged issued share capital of the Company due to the allotment and issue of the New Ordinary Shares. As such, Mr. Zhu will remain as the ultimate controlling shareholder of the Company on completion of the Acquisition.

Upon completion of the Acquisition, members of the Target Group will become subsidiaries of the Company. Ongoing purchase of raw materials (including agricultural products and fructose) and sale of used and recyclable containers are expected to continue to take place between certain companies controlled by Mr. Zhu or his associates and members of the Enlarged Group after completion of the Acquisition. In view of the reliability of a steady supply of good quality production materials from Beijing Huiyuan Beverage and the ease of delivery and transportation offered by them, the executive Directors consider that, to facilitate the production and operation of the Group, it is in the interest of the Group to continue such transactions upon completion the Acquisition. On 23 May 2013, the Company and Beijing Huiyuan Beverage entered into the Raw Materials Purchase and Recyclable Containers Sales Agreement for members of the Enlarged Group to purchase raw materials including agricultural products and fructose from and to sell used and recyclable containers to Beijing Huiyuan Beverage and its associates. The agreement is conditional upon completion of the Acquisition. As Beijing Huiyuan Beverage, being an associate of Mr. Zhu, is a connected person of the Company, the transactions contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement constitute continuing connected transactions for the Company, as defined under Rule 14A.14 of the Listing Rules. Based on the relevant ratios set out in Rule 14.07 of the Listing Rules, the transactions are subject to reporting, announcement, and annual review requirements under the Listing Rules.

The Raw Materials Purchase and Recyclable Containers Sales Agreement is a framework agreement which provides the mechanism for the operation of the specific continuing connected transactions contemplated thereunder.

Major Terms and Conditions

The following sets out the major terms and conditions of the Raw Materials Purchase and Recyclable Containers Sales Agreement:

- The price of each specific transaction shall be determined by the parties with reference to the market price, in particular, the price of similar materials offered by independent third parties in the nearby area.

- Payment for raw materials of each transaction can be settled in one lump sum or by instalments. Credit terms and payment method shall be determined by the parties for each transaction taking into account normal market practice.

- The supply of production materials by Beijing Huiyuan Beverage and/or its associates to the Group shall be carried out on normal commercial terms which are no less favourable than those offered by independent third parties to the Group;

- The sales of used and recyclable containers by the Group to Beijing Huiyuan Beverage and/or its associates shall be carried out on normal commercial terms which are no more favourable than those which the Group would offer to independent third parties;

- Beijing Huiyuan Beverage undertakes to maintain, or procure its associates to maintain, a sufficient supply and the quality of the raw materials to meet the requirements of the Group; and

- Beijing Huiyuan Beverage undertakes to supply the raw materials to the Group with priority over any third party.

The Company has put into place procedures in respect of procurement and sales to ensure that each specific transaction will be made on normal commercial terms or on terms not less favourable than those available to or from independent third parties. Pursuant to the established procedures, prior to purchase of raw materials, the Company shall obtain market quotes for a particular type of raw material from Beijing Huiyuan Beverage or its associate as well as from third parties nearby to determine the market price. In respect of sales of used and recyclable containers, the Company shall go through a bidding process to determine the market price.

Proposed Annual Caps

The following table sets out the actual amounts and the proposed annual caps for the raw materials purchase and the sales of used and recyclable containers under the Raw Materials Purchase and Recyclable Containers Sales Agreement;

	Actual value for the year ended 31 December			Proposed cap for the year ending 31 December		
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Purchase of raw materials	97,826	111,283	97,839	119,861	145,084	175,913
Sale of used and recyclable containers	9,168	10,522	8,337	10,004	12,005	14,406

The Directors have estimated the above annual caps for the transactions as contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement for the three years ending 31 December 2015, on the following basis:

(a) regarding the purchase of the raw materials, with reference to (i) the volume of previous transactions between the Enlarged Group and Beijing Huiyuan Beverage and its associates, (ii) historical trend for these transaction, and (iii) the expected increase in the Enlarged Group's total purchase of such raw materials in the coming three years taking into account the overall growth in the market i.e., a 9.8% increase in sales volume of fruit and vegetable juice in 2012 from 2011 according to Nielsen, and the expected increase in the Enlarged Group's total sales with a reasonable level of buffer in order to mitigate the risk of any unforeseen circumstances; and

(b) regarding the sale of the used and recyclable containers, primarily with reference to the expected increase in the Enlarged Group's total purchase of raw materials in the coming three years ending on 31 December 2015.

The Directors (including the independent non-executive Directors) believe that the continuing connected transactions as contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement and the annual caps for the three years ending 31 December 2015, are fair and reasonable, on normal commercial terms and in the interest of the Company and the shareholders of Company as a whole. Mr. Zhu, a Director and the controlling shareholder of the Company, also the controlling shareholder of Beijing Huiyuan Beverage, has therefore abstained from voting on the relevant board resolution approving the transactions contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement. Save as disclosed above, none of the Directors has a material interest in the agreement.

(XI) GENERAL

Citi is the exclusive financial adviser to the Company in relation to the Acquisition and UBS is the exclusive financial adviser to China Hui Yuan Holdings in relation to the Acquisition.

An independent board committee of the Company (comprising all independent non-executive Directors, namely Mr. Leung Man Kit, Mr. Song Quanhou, Ms. Zhao Yali and Mr. Zhao Chen) has been constituted to consider the terms of the Acquisition Agreement and the proposal for grant of the Specific Mandate to issue the New Ordinary Shares and the Convertible Preference Shares, and to make a recommendation to the Independent Shareholders. A whitewash independent board committee of the Company (comprising all non-executive Directors who have no direct or indirect interest in the Acquisition Agreement and the transaction contemplated thereunder, and the Whitewash Waiver, namely Mr. Leung Man Kit, Mr. Andrew Y. Yan, Mr. Song Quanhou, Ms. Zhao Yali and Mr. Zhao Chen) has been constituted to consider the fairness and reasonableness of the Whitewash Waiver, and to make a recommendation to the Independent Shareholders.

Somerley Limited has been appointed with the approval of the independent board committee as independent financial adviser to advise the independent board committee of the Company on the fairness and reasonableness of the transactions contemplated in the Acquisition Agreement. It will also advise the whitewash independent board committee of the Company on the fairness and reasonableness of the Whitewash Waiver.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to send to the Shareholders the circular in relation to the Whitewash Waiver within 21 days after the date of this announcement. The Company intends to apply to the SFC for a waiver from strict compliance with Rule 8.2 of the Takeovers Code as the Company needs to take time to prepare the information required to be included in the circular, which includes, among others, details of the Acquisition and, the information and major terms of the Restructuring Facility for which the Company is in the process of discussing with the bank which has committed to provide such facility, and such other information as required under the Listing Rules. The circular will contain, amongst other things, details of the terms of the Acquisition Agreement, the proposals for the amendments to the memorandum and articles of association, the grant of Specific Mandate to issue the New Ordinary Shares and the Convertible Preference Shares, the Whitewash Waiver, a letter from its independent board committee, a letter from its whitewash independent board committee, a letter from the independent financial adviser, Somerley Limited, and a notice to convene the EGM to approve the Acquisition Agreement, the proposals for the amendments to the memorandum and articles of association, the grant of Specific Mandate and the Whitewash Waiver.

The Acquisition is conditional and may or may not proceed. In particular, the Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Acquisition Agreement will lapse and the Acquisition will not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise caution when trading in the securities of the Company.

(XII) DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed sale and purchase of the entire issued share capital of the Target Company pursuant to the terms and conditions of the Acquisition Agreement;
"Acquisition Agreement"	the conditional sale and purchase agreement dated 23 May 2013 entered into between the Company as purchaser and China Hui Yuan Holdings as seller and Mr Zhu as guarantor in respect of the sale and purchase of the entire issued share capital of the Target Company;
"Beijing Huiyuan Beverage"	北京滙源飲料食品集團有限公司 (Beijing Huiyuan Beverage & Food Group Co., Ltd.), a limited liability company established under the laws of the PRC;
"Board"	the board of Directors of the Company;
"BVI"	British Virgin Islands;
"Chairman"	the chairman of the Board;
"China Hui Yuan Holdings"	China Hui Yuan Juice Holdings Co., Ltd. (中國滙源果汁控股有限公司 *), a limited liability company established under the laws of the Cayman Islands and indirect wholly owned by Mr. Zhu through his holding in Huiyuan Holdings;
"China" or "PRC"	the People's Republic of China, which for the purposes of this announcement excludes Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan;
"Citi"	Citigroup Global Markets Asia Limited, the exclusive financial adviser to the Company in respect of the Acquisition;
"Company"	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司 *), an exempted company established under the laws of the Cayman Islands with limited liability, whose Ordinary Shares are listed on the Main Board of the Stock Exchange;
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;

"Convertible Bonds"	the 4% convertible bonds due 29 April 2016 in an aggregate principal amount of US$150,000,000 issued by the Company;
"Convertible Preference Shares"	the restricted voting convertible preference shares of US$0.00001 each in the capital of the Company to be allotted and issued, credited as fully paid, in satisfaction of part of the consideration for the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
"Directors"	the directors of the Company;
"EBITDA"	earnings before interest, taxes, depreciation and amortization;
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition, the creation of the Convertible Preference Shares and the consequential amendments to its articles of association and the Specific Mandate;
"Enlarged Group"	the Group and the Target Group;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of such executive director;
"Group"	the Company and its subsidiaries;
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"HK Sub"	China Huiyuan Industry Limited (中國滙源產業有限公司), a company incorporated under the laws of Hong Kong with limited liability and wholly owned by the Target Company;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Huiyuan Holdings"	Huiyuan International Holdings Limited, a company established under the laws of the BVI with limited liability and wholly owned by Mr. Zhu;
"Huiyuan Total"	北京滙源濤濤果業有限公司 (Beijing Huiyuan Total Fruit Industry Limited), a wholly foreign owned enterprise established under the laws of the PRC and 100% indirectly owned by the Target Company;

‘Independent Shareholders”	Shareholders, other than (i) Mr. Zhu and his associates (as defined in the Listing Rules) and any parties acting in concert with him (within the meaning of the Takeovers Code), and (ii) persons who are involved or interested in the transactions contemplated under the Acquisition Agreement and/or the Whitewash Waiver;
“Keep Good”	Keep Good Group Limited, a company established under the laws of BVI and wholly owned by Mr. Zhu Shenghua, Mr. Zhu’s son;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	30 June 2014, or such later date as the parties to the Acquisition Agreement may agree in writing;
“Mr. Zhu”	Mr. Zhu Xinli, the Chairman, an executive director and the controlling shareholder of the Company;
“MOFCOM”	the Ministry of Commerce of the PRC;
“New Ordinary Shares”	new Ordinary Shares to be allotted and issued at an issue price of HK$3.10 per Ordinary Share to settle part of the consideration for the purchase of the entire issued share capital of the Target Company;
“Non-competition Deed”	the deed of non-competition entered into by Mr. Zhu, China Hui Yuan Holdings and Huiyuan Holdings on 3 February 2007 in favour of the Company;
“Ordinary Shares”	ordinary shares of US$0.00001 each in the issued capital of the Company;
“Possible Acquisition Announcement”	the announcement published by the Company on 15 March 2013 in relation to the possible acquisition of juice concentrates and fruit purees production business;
“PRC Operating Companies”	the 12 companies incorporated in the PRC and directly or indirectly wholly-owned by the Target Company;
“Prospectus”	the prospectus issued by the Company on 8 February 2007 in connection with the initial public offering and listing of its Ordinary Shares on the Main Board of the Stock Exchange;

"Raw Materials Purchase and Recyclable Containers Sales Agreement"	the Raw Materials Purchase and Recyclable Containers Sales Agreement entered into between Beijing Huiyuan Beverage and the Company to regulate on-going raw materials purchase and recyclable containers sales between the parties;
"Restricted Period"	so long as (i) the shares of the Company remain listed on the Stock Exchange (other than any trading suspension for any reasons); and (ii) the Non-Compete Covenantors and/or their respective associates, individually or jointly, are entitled to exercise or control the exercise of not less than 30% of the voting power at general meetings of the Company, or Mr. Zhu remains as a director of any member of the Group;
"Restructuring"	the restructuring of the Target Group so that the Target Company became the holding company of the Target Group and holds, directly or indirectly, 100% of each member of the Target Group;
"Restructuring Deferred Payment"	the outstanding purchase price of US$196 million payable by HK Sub to Beijing Huiyuan Beverage for the acquisition of a 96.47% equity interest in Huiyuan Total from Beijing Huiyuan Beverage;
"Restructuring Facility"	a term loan facility to be provided by one or more banks to HK Sub for the purpose of settling the Restructuring Deferred Payment;
"RMB" or "Renminbi"	Renminbi, the lawful currency of China;
"SAIF"	Sino Fountain Limited, a company incorporated in the British Virgin Islands which is indirectly wholly-owned by Mr. Andrew Y. Yan;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Specific Mandate"	a specific mandate to be granted to the Directors in relation to the issue of the New Ordinary Shares and the Convertible Preference Shares to be approved by the Shareholders at the EGM;
"Shareholders"	holders of Ordinary Shares;
"Share Option Schemes"	the pre-IPO share option scheme and the share option scheme of the Company, both adopted by the Shareholders on 30 January 2007;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Company"	China Huiyuan Industry Holding Limited, a company established under the laws of the BVI with limited liability and the entire issued share capital of which is held by China Hui Yuan Holdings;
"Target Group"	companies to be acquired by the Company pursuant to the Acquisition Agreement, which includes the Target Company, HK Sub, Huiyuan Total and PRC Operating Companies;
"UBS"	UBS AG, acting through its Hong Kong branch, the exclusive financial adviser to China Hui Yuan Holdings in respect of the Acquisition;
"USD" or "US$"	U.S. dollars, the lawful currency of the United States of America; and
"Whitewash Waiver"	a waiver in respect of the obligation of Mr. Zhu and parties acting in concert with him to make a mandatory offer to the Shareholders in respect of the issued Ordinary Shares of the Company not already owned or agreed to be acquired by Mr. Zhu and parties acting in concert with him as a result of the issue of the New Ordinary Shares in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB0.80 = HK$1.00 and US$0.13 = HK$1.00 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$ and RMB have been, could have been or may be converted at such or any other rates or at all.

By Order of the Board
Jiang Xu
Executive Director

Beijing, 23 May 2013

As at the date of this announcement, our directors are Mr. ZHU Xinli, Mr. JIANG Xu and Mr. LEE Wen-chieh as executive directors, Mr. Andrew Y. YAN as a non-executive director and Mr. LEUNG Man Kit, Ms. ZHAO Yali, Mr. ZHAO Chen and Mr. SONG Quanhou as independent non-executive directors.

This announcement is made by the order of the Board. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in respect of China Hui Yuan Holdings, Mr. Zhu Xinli and persons acting in concert with Mr. Zhu Xinli) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The information in relation to China Hui Yuan Holdings, Mr. Zhu Xinli and persons acting in concert with Mr. Zhu Xinli contained in this announcement has been supplied by Mr. Zhu Xinli, who accepts full responsibility for the accuracy of that information and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *For identification purposes only*