China Huiyuan Juice Group Limited

中國滙源果汁集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1886

Interim Report 2013

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 42 subsidiaries with 8,078 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 2013, the Group's 100% juice and nectars continue to rank as the market leader with market shares of 60.8% and 44.6%, 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

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
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

Royal Bank of China Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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

Financial Highlights

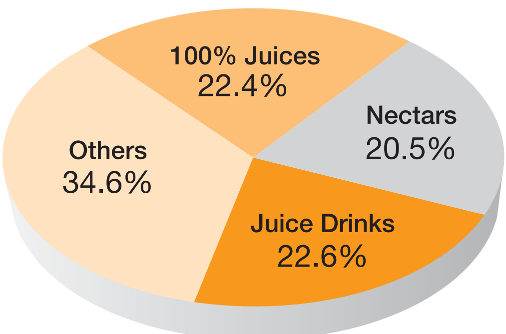
Comparison of the unaudited consolidated results for the first half of 2013 and the first half of 2012

	For the 6 months ended 30 June (RMB '000)	
	2013	2012
Revenue	**2,063,611**	1,690,148
Cost of sales	**1,427,431**	1,270,095
Gross profit	**636,180**	420,053
Profit/(loss) attributable to equity holders	**114,008**	(32,167)
Adjusted profit attributable to equity holders (Note 1)	**147,961**	7,649
EBITDA	**400,730**	258,427
Earnings/(losses) per share (RMB cents) (Note 2)		
— basic	**7.7**	(2.2)
— diluted	**7.7**	(2.2)

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/(loss) relating to the convertible bonds and amortization of employee share option scheme.

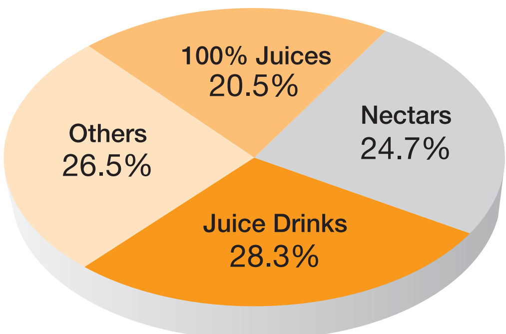
Note 2: Please refer to Note 28 to the Consolidated Interim Financial Information for the calculation of earnings/(losses) per share.

Sales by product



2012

For the 6 months ended 30 June



2013

For the 6 months ended 30 June

Financial ratio (Based on the unaudited consolidated results for the first half of 2013 and the first half of 2012)

	For the 6 months ended 30 June		
	2013	2012	Change
Return on equity	**2.1%**	-0.6%	+2.7%
Return on assets	**1.0%**	-0.3%	+1.3%
Gearing ratio (total debt/total equity) (Note 1)	**62.2%**	62.1%	+0.1%

Operating ratio (Note 2)

	For the 6 months ended 30 June		
	2013	2012	Change
Turnover of finished goods	**17 days**	25 days	-8 days
Turnover of raw materials	**129 days**	130 days	-1 days
Turnover of trade receivables	**85 days**	61 days	+24 days
Turnover of trade payables	**242 days**	134 days	+108 days

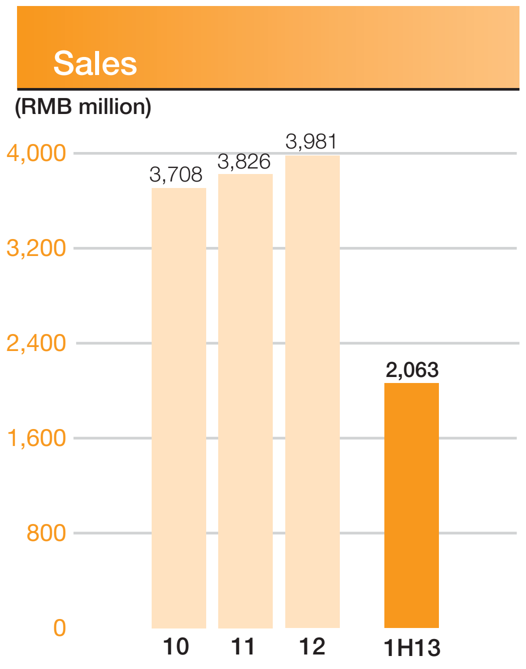
Note 1: The total debt includes total borrowings of RMB2,585.2 million as at 30 June 2013 (as at 30 June 2012: RMB2,502.8 million) and convertible bonds of RMB794.4 million as at 30 June 2013 (as at 30 June 2012: RMB752.2 million).

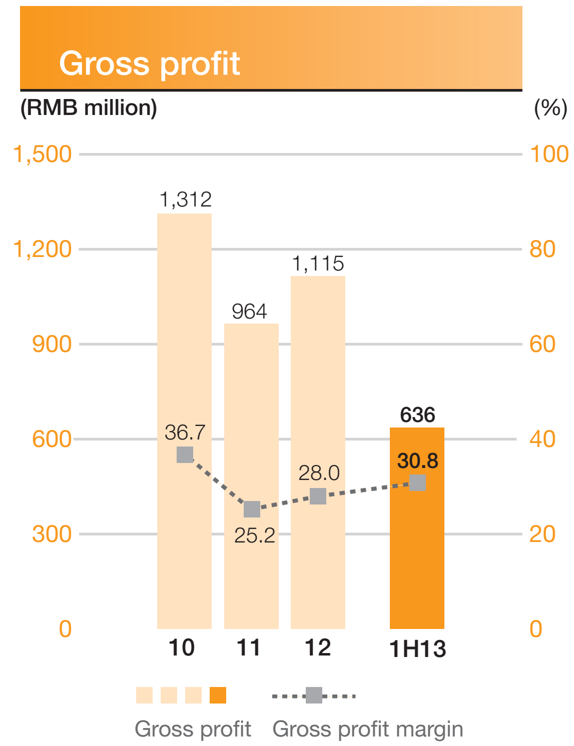
Note 2: The turnover of finished goods as at 30 June is calculated as the balance of finished goods as at 30 June divided by cost of sales for the year multiplied by 182.5 days (365 divided by 2).

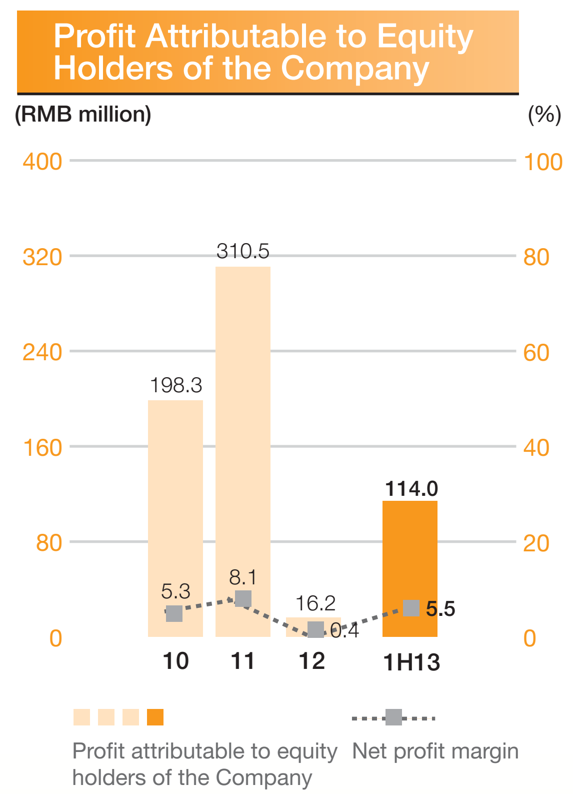
The turnover of raw materials as at 30 June is calculated as the balance of raw materials as at 30 June divided by raw materials used for the year multiplied by 182.5 days (365 divided by 2).

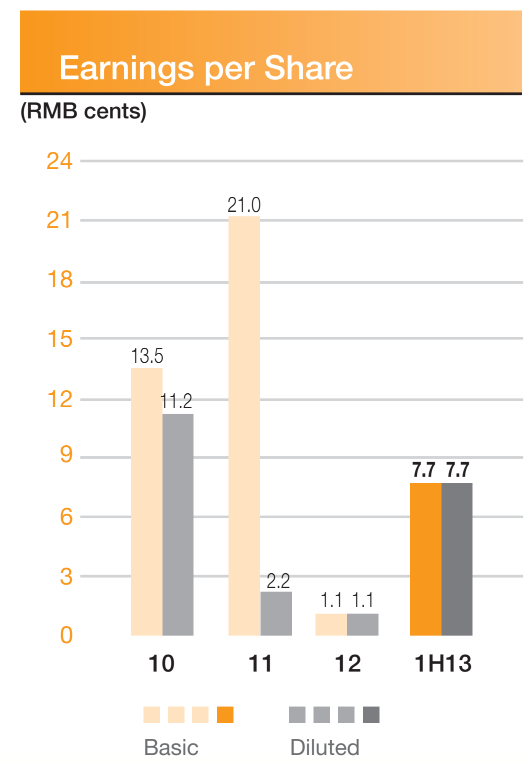
The turnover of trade receivables as at 30 June is calculated as the total balance of trade receivables and bills receivable as at 30 June divided by sales for the year multiplied by 182.5 days (365 divided by 2).

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


Sales
(RMB million)
4,000
3,200
2,400
1,600
800
0
3,708
3,826
3,981
2,063
10
11
12
1H13


Gross profit
(RMB million)
(%)
1,500
1,200
900
600
300
0
100
80
60
40
20
0
1,312
964
1,115
636
36.7
25.2
28.0
30.8
10
11
12
1H13
Gross profit
Gross profit margin


Profit Attributable to Equity Holders of the Company
(RMB million)
(%)
400
320
240
160
80
0
100
80
60
40
20
0
198.3
310.5
16.2
114.0
5.3
8.1
0.4
5.5
10
11
12
1H13
Profit attributable to equity holders of the Company
Net profit margin


Earnings per Share
(RMB cents)
24
21
18
15
12
9
6
3
0
13.5
11.2
21.0
2.2
1.1
1.1
7.7
7.7
10
11
12
1H13
Basic
Diluted

Management Discussion and Analysis

MARKET REVIEW

Review of the China Juice Beverage Market

In the first half of the year 2013, China recorded GDP growth of 7.6%, a slight decrease compared to last year's full year GDP growth of 7.8%. China's leadership has signaled a clear tolerance for lower overall growth, focusing on improving the quality and efficiency of economic growth while ensuring stability. Inflation, particularly in food prices, has eased relative to 2012 reaching 4.0% in the first half of 2013. China recorded a decrease in the Producer Price Index (PPI) of 2.2% and an increase in the Consumer Price Index (CPI) of 2.4% over the same period.

The external macro-environment remains challenging as governments in Europe remain mired in problems stemming from the financial crisis and the United States Central Bank has signaled an intention to scale back its bond purchase program. At home, the Chinese government continues its efforts to balance driving domestic demand, particularly consumption, with managing inflation levels, housing market excesses and overall stability.

In this context, the domestic juice beverage market continued to grow as the increase in urban population and growth in disposable income continue to drive consumer demand for natural and healthy beverage products including fruit and vegetable juices. Sales of fruit and vegetable juices in China reached 4.4 billion liters in the first half of 2013, representing an increase of 7.3% 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 of 2013. Competition in the overall beverage industry, including juice and juice drink markets, remains intense.

	Market Share	
For the first half year of 2013	**By Volume**	**By Value (%)**
100% Juice		
Huiyuan Juice	60.8	55.3
Second ranked competitor	21.0	25.3
Third ranked competitor	6.4	6.2
Fourth ranked competitor	2.9	3.0
Fifth ranked competitor	1.6	1.7
26%–99% Concentration (Note 1)		
Huiyuan Juice (Note 2)	44.6	39.1
Second ranked competitor	30.8	24.9
Third ranked competitor	4.5	6.4
Fourth ranked competitor	3.8	5.6
Fifth ranked competitor	3.2	3.4
25% & Below Concentration		
First ranked competitor	32.3	34.1
Second ranked competitor	23.9	22.1
Third ranked competitor	20.8	18.5
Fourth ranked competitor	6.6	6.5
Fifth ranked competitor	4.3	5.0
Huiyuan Juice (Note 3)	2.5	2.2

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

As a leading fruit and vegetable juice producer in China, 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. We benefit from a high level of brand recognition among Chinese consumers and remain committed to providing the highest quality products to all the Group's customers.

In the six months ended 30 June 2013, the Group recorded sales of RMB2,063.6 million, an increase of 22.1% from RMB1,690.1 million for the six months ended 30 June 2012. The net profit attributable to the equity holders of the Company reached RMB114.0 million as compared to a net loss of RMB32.2 million for the same period in 2012.

In the first half of 2013, the Group maintained its market leading position in the juice and juice drink industry. Growth in our own branded products increased across all product segments driven by, amongst other things, growth in sales of small-sized juice boxes and promising sales of our new hawthorn-based juice drink product.

Very Substantial Acquisition and Connected Transaction

On 23 May 2013, we announced that the Company, China Hui Yuan Juice Holdings Co., Ltd. ("China Huiyuan Holdings") and our Chairman, Mr. Zhu Xinli entered into an acquisition agreement pursuant to which the Company has conditionally agreed to purchase from China Huiyuan Holdings the entire issued share capital of China Huiyuan Industry Holding Limited (together with its subsidiaries, the "Target Group") (the "Acquisition"). The Target Group is one of the leading producers of fruit juice concentrates and purees in China and is 100% owned by Mr. Zhu Xinli. 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.

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 raw materials:*** 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. As a vertically-integrated juice and vegetable producer, the Group will be unique among market participants and will be better positioned to compete against larger 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 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 in the future:*** 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. 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. The Acquisition of the Target Group would significantly reduce 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:*** The Target Group is highly profitable and provides the Group with significant additional EBITDA and the 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 Group expects to be able to further enhance operational efficiency and expect synergies to arise from a reduction in 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.

On 12 July 2013, we held an extraordinary general meeting of the shareholders of the Company and successfully passed the resolutions for approving the transaction. We aim to close the transaction in the second half of this year, subject to approval of the transaction by the Anti-monopoly Bureau of the Ministry of Commerce of the PRC.

Disposal of Shanghai Huiyuan

On 21 June 2013, we entered into an equity transfer agreement pursuant to which we agreed to sell and transfer the entire equity interest in Shanghai Huiyuan Food & Beverage Co., Ltd. ("Shanghai Huiyuan") for a total cash consideration of RMB300 million (the "Transaction").

The Company is undergoing a strategic review of its manufacturing network to better align its production facilities to capture the market opportunity, enhance competitiveness, achieve higher production efficiency, reduce operating costs, increase capacity utilization and achieve a more optimal asset structure, which is in line with the Company's strategy.

The Shanghai market is of key strategic importance to the Group. However, Shanghai Huiyuan has historically been a loss-making operation due to the relatively higher operating costs (including both labour and production) in Shanghai compared to the surrounding regions. The Group currently operates production facilities in nearby regions in Jiangsu, Zhejiang and Anhui provinces through which the Group can supply Shanghai and the surrounding Yangtze Delta region. Following this Transaction, the Group will reduce its fixed asset base and decrease its operating costs in the region improving the overall financial performance and strengthening the competitiveness of the Group.

The Company will continue to further review ways to align its manufacturing network to strengthen its supply chain, improve operating efficiency, and enhance overall competitiveness.

Change of Chief Executive

With effect from 15 July 2013, Mr. Daniel Saw has been appointed as the Chief Executive Officer of the Company. Mr. Zhu Xinli, the then Chairman, executive Director and President simultaneously stepped down from his position as President of the Company on the same date and currently remains as executive Director and Chairman.

Mr. Saw, aged 54, has over 30 years of experience in sales and marketing in the food and beverage industry with a strong track record of leading and developing successful food businesses in Greater China and across Asia Pacific. Before joining the Company, Mr. Saw was the President of Asia at Campbell Soup Company, New York Stock Exchange listed company. In this role, he was primarily responsible for overseeing its business in Asia, including Greater China. Previously, he served as the Chief Executive Officer and a member of the board of Lee Kum Kee Sauce Group from 2009 to 2012. Prior to that, he was President of the company's China Region. During a career spanning more than 30 years, Mr. Saw has held a range of senior leadership and sales and marketing positions with Philip Morris International, Kraft Foods International and Cadbury Schweppes in Greater China, South East Asia, Australia and the Pacific Region.

We believe that these changes, particularly the Acquisition and the appointment of Mr. Saw will further transform our business to enhance our core competitiveness and accelerate our future growth.

FINANCIAL REVIEW

Overview

In the six months ended 30 June 2013, the Group recorded sales of RMB2,063.6 million, an increase of 22.1% from RMB1,690.1 million for the six months ended 30 June 2012. The net profit attributable to the equity holders of the Company reached RMB114.0 million as compared to a net loss of RMB32.2 million for the same period in 2012.

Sales

Sales of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products increased 22.1% from RMB1,690.1 million in the first half of 2012 to RMB2,063.6 million in the first half of 2013.

Sales of 100% fruit juices, which accounted for 20.5% of the Group's total sales, increased by 12.0% from RMB378.4 million in the first half of 2012 to RMB423.8 million in the first half of 2013 due to a 17.3% increase in sales volume offset by a slight decrease in average selling price. The growth of 100% fruit juices was somewhat offset by slower export sales in the first half.

Sales of nectars increased by 47.2% from RMB346.1 million in the first six months of 2012 to RMB509.5 million in the first six months of 2013. Sales of nectars accounted for 24.7% of total sales for the first six months of 2013. Sales volume for the period increased 39.7% as compared to corresponding period in last year while average selling price increased 5.4%. Sales of nectars was driven by the overall improved sales efforts for the Company.

Sales of juice drinks, which accounted for 28.3% of the Group's total sales, increased by 53.1% from RMB381.6 million in the first half of 2012 to RMB584.3 million in the first half of 2013. The increase in revenues was due to a 25.5% increase in volume and a 22.0% increase in average selling price. The increase in average selling price was primarily attributable to the higher selling price of our new hawthorn-based juice drink introduced in the first half of this year.

The sales of other beverage products decreased 6.5% from RMB584.1 million in the first six months of 2012 to RMB546.0 million in the first six months of 2013 primarily attributed to decrease in sales of lower-margin non-juice products such as water, bottled tea and milk juice. OEM sales for the period held steady relative to corresponding period in last year.

Cost of Sales

Cost of sales increased by 12.4% from RMB1,270.1 million for the six months ended 30 June 2012 to RMB1,427.4 million for the six months ended 30 June 2013. The increase in cost of sales is primarily a result of the increase in sales volume during the period.

Gross Profit

Gross profit increased by 51.4% from RMB420.1 million for the six months ended 30 June 2012 to RMB636.2 million for the six months ended 30 June 2013. Gross profit margin increased 5.9 percentage points from 24.9% for the six months ended 30 June 2012 to 30.8% for the comparable period in 2013. Gross profit margin increased 2.8 percentage points compared to the full year 2012. The increase in gross profit was primarily attributable to the change in sales mix, as the proportion of higher-margin products including 100% juices and nectars has increased relative to other products.

Other Income

Other income increased by 22.0% from RMB124.6 million for the six months ended 30 June 2012 to RMB152.0 million for the same period in 2013. Other income consists primarily of government subsidy income as well as income from the sale of manufacturing related waste and byproducts.

Other Gains/(losses)

Other gains/(losses) consists of gains and losses arising from disposals. The Company recorded a net gain of RMB109.8 million for the six months ended 30 June 2013 due to the gain on the disposal of Shanghai Huiyuan which was offset by an impairment provision for the outstanding receivable arising from a disposal.

Selling and Marketing Expenses

Selling and marketing expenses increased by 36.3% from RMB407.6 million for the six months ended 30 June 2012 to RMB555.6 million for the same period in 2013, due to an increase in both marketing and advertising expenses and direct sales costs.

Administrative Expenses

Administrative expenses increased by 24.7% from RMB129.6 million for the six months ended 30 June 2012 to RMB161.6 million for the comparable period in 2013. Administrative expenses as a percentage of revenue have slightly increased from 7.7% for the six months ended 30 June 2012 to 7.8% for the six months ended 30 June 2013.

Finance Income/Cost

The Group recorded net finance cost of RMB62.3 million for the six months ended 30 June 2013 as compared to RMB97.8 million for the comparable period in 2012. The difference is primarily as a result of the impact of foreign exchange related gains (losses) for the comparable periods which resulted in a gain of RMB26.8 million for the six months ended 30 June 2013 as compared to a loss of RMB15.9 million for the six months ended 30 June 2012. Gain in changes in the fair value of the convertible bonds in the first six months of 2013 was RMB10.6 million.

Income Tax Expenses

In the first half of 2013 the Company recorded an income tax expense of RMB2.7 million compared to an income tax credit of RMB11.0 million for the comparable period in 2012.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Company recorded RMB114.0 million in profit attributable to equity holders for the six months ended 30 June 2013 as compared with a loss of RMB32.2 million for the comparable period in 2012. The adjusted profit attributable to the equity holders of the Company for the six months ended 30 June 2013 was RMB148.0 million compared to RMB7.6 million for the comparable period in 2012.

Liquidity and Capital Resources

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

As at 30 June 2013, the Group had an aggregate of RMB2,585.2 million in outstanding bank loans and RMB794.4 million in outstanding convertible bonds as compared to RMB2,983.0 million in outstanding bank loans and RMB779.1 million of outstanding convertible bonds as at 31 December 2012. The gearing ratio (total debt (including the convertible bonds)/total equity) of the Group was 62.2% as at 30 June 2013, representing a decrease of 9.0 percentage points as compared to 71.2% as at 31 December 2012.

The Group's borrowings include bank loans and the convertible bonds. As at 30 June 2013, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank loans	1,590.4	994.8	2,585.2
Convertible bonds	794.4	—	794.4
Total	2,384.8	994.8	3,379.6
Analysed as:			
Secured	362.0	65.2	427.2
Unsecured	2,022.8	929.6	2,952.4

Note: As of 30 June 2013, the convertible bonds have been reclassified as current liabilities due to the redemption option of the holders on 29 April 2014.

Operating activities

Net cash generated from operating activities was RMB724.2 million in first six months of 2013. The Group's net profit before tax for the same period was RMB116.7 million. The difference of RMB607.5 million was primarily due to depreciation of fixed assets for the period of RMB204.0 million, a RMB370.4 million decrease in inventory, and a RMB373.5 million increase in trade payables that was partially offset by a RMB167.4 increase in trade receivables.

Investing activities

Net cash used in investing activities for the first six months of 2013 was RMB2.6 million as compared to RMB160.5 million for the same period in 2012. Purchase of property, plant and equipment for the period was 121.3 million. Proceeds from the disposal of a subsidiary was RMB146.9 million.

Financing activities

Net cash generated from financing activities for the six month period ending 2013 was negative RMB380.8 million, as compared to net cash generated from financing activities of negative RMB31.5 million for the comparable period in 2012.

Capital Expenditure

Capital expenditures primarily comprised purchases of property, plant and equipment, and additions to land use rights. The Group decreased its total capital expenditures for the six month ended 30 June 2013 compared to the comparable period in 2012. During the first six months in 2013, the Group spent RMB121.3 million on the purchase of property, plant and equipment.

As at 30 June 2013, the Group had capital commitments of RMB123.3 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2013 will be significantly reduced compared with 2012. The Group plans to finance its capital expenditure requirements in the second half of 2013 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, juice concentrates and purees, sugars) and finished goods (including juices and other beverage products). Raw materials make up the majority of the Group's inventory. Raw materials turnover days decreased from 184 days as at 31 December 2012 to 129 days as at 30 June 2013, and turnover days for finished goods decreased from 22 days as at 31 December 2012 to 17 days as at 30 June 2013.

Turnover days for trade receivables increased to 85 days as at 30 June 2013 compared to 73 days for the previous year.

Contingent Liabilities

As at 30 June 2013, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2013, the Group had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 30 June 2013, 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 2013, 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 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 of 2013 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2013, 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 2013 would have been decreased/increased by RMB13,842,000 (30 June 2012: RMB18,497,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated convertible bonds and bank borrowings.

FUTURE PROSPECTS

Looking ahead, the outlook for the global economy remains uncertain. The emerging economies, whose continued growth has offset some of weakness in the Western economies, have shown signs of softness in their own domestic markets. China is no different. While the beverage market in China continues to grow, competition remains high. Consolidation among market participants has already taken shape. The secular trends of focus on food safety and health and wellness continue drive consumer behavior.

We are working diligently to carry the momentum that we showed in our core businesses in the first half of this year through to the second half. Since joining the Company in July 2013, our new Chief Executive Officer has been laying the groundwork for our future growth. Our work in the second half of the year will focus on four main areas: enhancing the management team in key functions; implementing changes in our road-to-market strategy; developing our new product road-map; and improving our overall supply chain efficiency. As a result of these efforts, the integration of our upstream acquisition and other work that Company is currently undergoing, we see a number of catalysts driving our future growth including, 1) sustained leadership in 100% juices and nectars complemented by young and innovative new products in the juice drinks segment; 2) heightened consumer focus on health and wellness driving increased demand and consumption; 3) strengthened sales channel management putting more products within reach of our target consumers; 4) new revenue streams from our upstream acquisition; 5) margin improvement and integrated value chain from our upstream acquisition; and 6) deleveraging to improve overall operating efficiency.

Directors' Report

The directors of the Company (the "Director(s)") present their report together with the condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013.

Interim Dividend

The board of directors (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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"). As at 30 June 2013, the Financial Management and Audit Committee consisted of three members, 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 of the Company 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 2013 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 2013 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 2013.

On 11 June 2012, the Company entered into an agreement (the "First Facility Agreement") with a bank relating to a term loan facility in an aggregate principal amount of US$100,000,000, with the final maturity on 15 June 2015.

On 29 August 2012, the Company entered into another agreement (the "Second Facility Agreement", together with the First Facility Agreement, the "Bank Facility Agreements"), with another bank relating to a three-year term loan facility in an aggregate principal amount of US$93,000,000.

Pursuant to the terms of each of the Bank Facility Agreements, 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 respective bank may by notice to the Company cancel the relevant loan facility and declare all outstanding loans, together with accrued interest, and all other amounts accrued under the agreement immediately due and payable, whereupon the loan facility will be cancelled and all such outstanding amounts will become immediately due and payable.

As at 30 June 2013, the outstanding amount owed by the Company under the First Facility Agreement and the Second Facility Agreement was US$84,000,000 and US$93,000,000, respectively.

Further details of the bank facilities and borrowings of the Company as at 30 June 2013 are set out in note 19 to the unaudited condensed consolidated interim financial information.

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

As at 30 June 2013, 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
Zhu Xinli	–	–	1,721,785,485[a]	–	1,721,785,485[a]	116.50%
			110,161,215[b]	–	110,161,215[b]	7.45%
Andrew Y. Yan[c]	–	–	337,497,501	–	337,497,501	22.84%

Notes:

a) China Huiyuan Holdings is wholly-owned by Huiyuan Holdings which in turn is wholly-owned by Mr. Zhu Xinli, therefore, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the 1,721,785,485 shares of which 619,136,588 shares are held by China Huiyuan Holdings and 1,102,648,897 shares are deemed to have been acquired by it by virtue of its entering into the acquisition agreement dated 23 May 2013 in connection with a proposed acquisition by the Company of the entire issued share capital of China Huiyuan Industry Holding Limited, a limited liability company and indirect wholly owned by Mr. Zhu Xinli. 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 2013, 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 2013, 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 Scheme

The Company has adopted the Share Option Scheme as incentives for the Directors and eligible employees.

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 2013 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 2013	Number of underlying shares comprised in the options lapsed or cancelled during the 6 months ended 30 June 2013	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2013	Number of underlying shares comprised in the options outstanding as at 30 June 2013
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	13,769,792	–	–	13,769,792
				13,769,792	–	–	13,769,792

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 2013, 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	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli	1,721,785,485[a]	116.50%
	110,161,215[c]	7.45%
Huiyuan Holdings	1,721,785,485[a]	116.50%
China Huiyuan Holdings	1,721,785,485[a]	116.50%
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 1,721,785,485 shares of which 619,136,588 shares are held by China Huiyuan Holdings and 1,102,648,897 shares are deemed to have been acquired by it by virtue of its entering into the acquisition agreement dated 23 May 2013 in connection with a proposed acquisition by the Company of the entire issued share capital of China Huiyuan Industry Holding Limited, a limited liability company and indirect wholly owned by Mr. Zhu Xinli. 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 2013, 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 2013, 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 2013, the Group had 8,078 employees (31 December 2012: 9,048 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 Scheme as incentives for the Directors and eligible employees. Details of the scheme are set out under the paragraph headed "Share Option Scheme" of this report and in note 17 to the unaudited condensed consolidated interim financial information.

Changes to Information in respect of Directors

During the six months ended 30 June 2013, there was no changes to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

Corporate Governance

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders.

The Company has adopted the 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 has complied with the Governance Code for the six months ended 30 June 2013.

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.

During the six months ended 30 June 2013, the positions of the chairman of the Board and the president (i.e., the chief executive) of the Company were held by Mr. Zhu Xinli, which deviated from the rules set out in the Code Provision A.2.1 where the two positions should be held by two different individuals. With effect from 15 July 2013, Mr. Daniel Saw has been appointed as the chief executive of the Company whilst Mr. Zhu, the then-executive Director, chairman of the Board and president of the Company, has simultaneously stepped down from his position as president and remained as executive Director and chairman of the Board of the Company. As at the date of this report, the Company has fully complied with the Governance Code.

Mr. Zhu has considerable and extensive experience in the juice and beverage industry. The Board believes that both the Company and the Board have benefited 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 when he concurrently acted as the president and the chairman of the Board.

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 2013.

On behalf of the Board
Zhu Xinli
Chairman

Beijing, 27 August 2013

Condensed Consolidated Balance Sheet

As at 30 June 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**5,971,264**	6,025,704
Intangible assets	8	**428,893**	438,433
Land use rights	9	**743,360**	746,261
Deferred income tax		**101,414**	90,927
Investments in associates	10	**11,921**	13,745
Long-term receivable		**1,847**	91,483
Long-term prepayment	11	**24,304**	84,634
Total non-current assets		**7,283,003**	7,491,187
Current assets			
Inventories	12	**1,227,737**	1,605,213
Trade and other receivables	13	**1,751,647**	1,426,155
Restricted cash	14	**139,842**	115,769
Cash and cash equivalents	15	**861,011**	521,127
Total current assets		**3,980,237**	3,668,264
Total assets		**11,263,240**	11,159,451
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	**115**	115
Share premium	16	**3,776,401**	3,776,401
Other reserves		**280,996**	248,410
Retained earnings			
— Proposed final dividends	29	**—**	—
— Others		**1,375,316**	1,261,308
Total equity		**5,432,828**	5,286,234

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**994,822**	1,175,398
Deferred government grants		**89,379**	103,927
Convertible bonds	20	**—**	779,148
Total non-current liabilities		**1,084,201**	2,058,473
Current liabilities			
Trade and other payables	18	**2,343,988**	1,949,800
Convertible bonds	20	**794,439**	—
Taxation payable		**10,480**	6,818
Deferred revenue		**6,881**	50,569
Borrowings	19	**1,590,423**	1,807,557
Total current liabilities		**4,746,211**	3,814,744
Total liabilities		**5,830,412**	5,873,217
Total equity and liabilities		**11,263,240**	11,159,451
Net current liabilities		**(765,974)**	(146,480)
Total assets less current liabilities		**6,517,029**	7,344,707

The notes on pages 28 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For six months ended 30 June 2013
(All amounts in RMB thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	RMB'000	RMB'000
Revenue	6	**2,063,611**	1,690,148
Cost of sales	23	**(1,427,431)**	(1,270,095)
Gross profit		**636,180**	420,053
Other income-net	21	**151,962**	124,550
Other gains/(losses) — net	22	**109,813**	47,312
Selling and marketing expenses	23	**(555,560)**	(407,645)
Administrative expenses	23	**(161,591)**	(129,609)
Finance costs	25	**(102,807)**	(115,404)
Finance income	26	**29,924**	8,735
Unrealised gain from change of fair value of convertible bonds	20	**10,600**	8,861
Share of loss of associates	10	**(1,824)**	—
Profit/(loss) before income tax		**116,697**	(43,147)
Income tax (expense)/credit	27	**(2,689)**	10,980
Profit/(loss) for the period		**114,008**	(32,167)
Other comprehensive income for the period		**—**	—
Total comprehensive income for the period		**114,008**	(32,167)
Attributable to:			
Equity holders of the Company		**114,008**	(32,167)
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company during the period (expressed in RMB cents per share)	28		
— basic		**7.7**	(2.2)
— diluted		**7.7**	(2.2)
Dividends	29	**—**	—

The notes on pages 28 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For six months ended 30 June 2013
(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	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2013		115	3,776,401	248,410	1,261,308	5,286,234
Comprehensive income						
Profit for the period		–	–	–	114,008	114,008
Disposal of a subsidiary	32	–	–	32,586	–	32,586
Total comprehensive income		–	–	32,586	114,008	146,594
Transactions with owners in their capacity as owners						
Dividends		–	–	–	–	–
Share-based payment expenses	24	–	–	–	–	–
Total transactions with owners		–	–	–	–	–
Balance at 30 June 2013		115	3,776,401	280,996	1,375,316	5,432,828
Balance at 1 January 2012		115	3,776,401	252,284	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 credit	24	–	–	(5,863)	–	(5,863)
Total transactions with owners		–	–	(5,863)	–	(5,863)
Balance at 30 June 2012		115	3,776,401	246,421	1,214,971	5,237,908

The notes on pages 28 to 56 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For six months ended 30 June 2013
(All amounts in RMB thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
		2013	2012
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		**837,186**	149,528
Interest paid		**(106,639)**	(97,124)
Interest received		**3,166**	8,735
Income tax paid		**(9,513)**	(39,789)
Cash flows generated from operating activities — net		**724,200**	21,350
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		**(121,342)**	(204,022)
Proceeds on disposal of PPE		**2,559**	17,284
Purchases of land use rights		**(6,730)**	(19,142)
Proceeds from disposal of land use rights		**—**	25,637
Proceeds from disposal of subsidiaries, net of cash disposed	32	**146,944**	62,000
(Increase)/decrease in restricted cash		**(24,073)**	(12,282)
Investment in associates		**—**	(30,000)
Cash flows used in investing activities — net		**(2,642)**	(160,525)
Cash flows from financing activities			
Proceeds from banks and other financial institution borrowings		**1,107,370**	3,098,885
Repayments of borrowings from banks and other financial institution		**(1,488,149)**	(3,130,379)
Cash flows used in financing activities — net		**(380,779)**	(31,494)
Exchange (losses)/gains on cash and cash equivalents		**(895)**	765
Net increase/(decrease) in cash and cash equivalents		**339,884**	(169,904)
Cash and cash equivalents at beginning of the period	15	**521,127**	276,572
Cash and cash equivalents at end of the period	15	**861,011**	106,668

The notes on pages 28 to 56 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 2013.

Key events

On 23 May 2013, the Company, China Hui Yuan Juice Holdings Co., Ltd. ("China Hui Yuan Holdings") and Mr. Zhu Xinli entered into an acquisition agreement, pursuant to which the Company purchased from China Hui Yuan Holdings the entire issued share capital of China Huiyuan Industry Holding Limited, which is one of the leading producers of fruit juice concentrates and purees in China, at a total consideration of approximately HK$4,939 million.

On 12 July 2013, the transaction was approved by the Extraordinary General Meeting of the shareholders of the Company. The Company aims to close the transaction in the second half of 2013, which is subject to the Ministry of Commerce of the PRC Anti-monopoly Bureau's approval of the transaction.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As of 30 June 2013, the Group's current liabilities exceeded its current assets by RMB765,974,000. 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 June 2013. Therefore, this financial information has 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 2012, 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 2013:

- IFRS 10, 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The adoption of IFRS 10 does not have a material impact on the Group's financial results for the period.

- IFRS 12 'Disclosure of interests in other entities', IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new disclosure requirements have been adopted by the Group, which are set out in Note 10.

- IFRS 13, 'Fair value measurement'. IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The new disclosure requirements have been adopted by the Group, which are set out in Note 5.2.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

3 Summary of significant accounting policies (continued)

(b) 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:

- IAS 32 (Amendment) 'Financial instruments: Presentation — Offsetting financial assets and financial liabilities' (effective from 1 January 2014).
- Amendments to IFRS 10, IFRS 12 and IAS27 (revised 2011) — 'Investment entities' (effective from 1 January 2014).
- Amendments to IAS 36 — 'Recoverable amount disclosures for non-financial assets' (effective from 1 January 2014).
- IFRS 9 'Financial Instruments' (effective from 1 January 2015).

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 information.

In addition to those disclosed in note 3(b) 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 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2012.

5. Financial risk management

5.1 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 2013 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2013, 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 2013 would have been decreased/increased by RMB13,842,000 (as at 30 June 2012: RMB18,497,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated convertible bonds and bank borrowings.

(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 2013, the debt-to-equity ratio was 62.2% (including convertible bonds) (as at 31 December 2012: 71.2%), and 47.6% (excluding convertible bonds) respectively (as at 31 December 2012: 56.4%).

5. Financial risk management (continued)

5.1 Financial risk factors (continued)

(b) Capital risk management (continued)

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

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

5.2 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).

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights	–	–	64,864	64,864

The fair value of conversion rights of the 2016 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 2013, please refer to Note 20.

If the market price had been 10% higher/lower than management's estimates at 30 June 2013, it would have increased/decreased the fair value of conversion rights by RMB5,511,000. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2013, it would have increased/decreased the fair value of conversion rights by RMB11,832,000. If the volatility rate had been 1% higher/lower than management's estimates at 30 June 2013, it would have increased/decreased the fair value of conversion rights by RMB4,634,000.

6 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 2013 RMB'000	 2012 RMB'000
100% juice products	**423,806**	378,417
Nectars	**509,499**	346,068
Juice drinks	**584,334**	381,600
Water and other beverage products	**545,972**	584,063
	2,063,611	1,690,148

The Group made barter sales of approximately RMB9,110,000 during the six months ended 30 June 2013 in exchange for advertising services and transportation vehicles (corresponding period in 2012: RMB6,977,000).

7 Property, plant and equipment

	Unaudited RMB'000
Six months ended 30 June 2013	
Opening net book amount as at 1 January 2013	**6,025,704**
Additions	**199,906**
Disposals	**(2,982)**
Disposal of a subsidiary (Note 32)	**(47,381)**
Depreciation charge (Note 23)	**(203,983)**
Closing net book amount as at 30 June 2013	**5,971,264**
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 23)	(177,060)
Closing net book amount as at 30 June 2012	6,005,889

There is no property, plant and equipment pledged as security for borrowings as at 30 June 2013 (as at 31 December 2012: nil).

8 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 2013						
Opening net book amount as at 1 January 2013	**148,480**	**166,067**	**122,808**	**739**	**339**	**438,433**
Amortisation (a) (Note 23)	**(6,545)**	**–**	**(2,226)**	**(739)**	**(30)**	**(9,540)**
Closing net book amount as at 30 June 2013	**141,935**	**166,067**	**120,582**	**–**	**309**	**428,893**
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 23)	(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

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

9 Land use rights

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

	Unaudited 2013 RMB'000	2012 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	**743,360**	729,251
Representing:		
Opening net book amount	**746,261**	784,455
Additions	**25,268**	19,167
Amortisation of prepaid operating lease payments (Note 23)	**(8,226)**	(8,162)
Termination of land use rights	**—**	(66,209)
Disposal of a subsidiary (Note 32)	**(19,943)**	—
Closing net book amount as at 30 June	**743,360**	729,251

10 Investments in associates

	Unaudited RMB'000
At 1 January 2013	13,745
Share of loss of associates	(1,824)
At 30 June 2013	11,921

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	69,612	(35,764)	39,347	53	24.45
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd	China	7,494	(2,587)	1,142	(3,723)	49.00

11 Long-term prepayment

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Long-term prepayment for LUR	**24,304**	43,034
Long-term prepayment for PPE	**—**	41,600
	24,304	84,634

12 Inventories

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Raw materials	**759,294**	1,094,587
Finished goods	**130,003**	171,149
Spare parts and consumable materials	**338,440**	339,477
	1,227,737	1,605,213

The cost of inventories recognised as expenses amounted to RMB1,072,721,000 for the six months ended 30 June 2013 (corresponding period in 2012: RMB930, 634,000).

13 Trade and other receivables

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade receivables	**946,242**	761,226
Related parties (a) (Note 33(c))	**5,515**	8,886
Third parties (a)	**978,947**	787,356
Less: Provision for impairment of receivables	**(38,220)**	(35,016)
Bills receivable – third parties	**20,268**	32,574
Prepayments of raw materials and others — third parties	**174,607**	94,953
Prepayment for advertising and other marketing expenses — third parties	**158,481**	157,706
Deductible VAT-input balance	**268,743**	347,259
Consideration receivable for disposal of a subsidiary (Note 32)	**150,000**	—
Other receivables	**33,306**	32,437
Related parties (Note 33(c))	**597**	3,510
Third parties	**32,709**	28,927
	1,751,647	1,426,155

13 Trade and other receivables (continued)

The carrying amounts of receivables approximate their fair value.

(a) The majority of the Group's sales are settled in cash or by cheque on delivery of goods, except for a customer on OEM business and sales to selected distributors and supermarkets which are settled within the credit terms as agreed in sales contracts. The majority of customers are with 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 2013 and 31 December 2012, the aging analysis of the trade receivables was as follows:

— Third parties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	**701,126**	632,082
Between 4 and 6 months	**133,774**	77,712
Between 7 and 12 months	**103,783**	40,773
Between 1 and 2 years	**20,388**	23,160
Over 2 years	**19,876**	13,629
	978,947	787,356

— Related parties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	**4,773**	8,455
Over 3 months	**742**	431
	5,515	8,886

14 Restricted cash

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

15 Cash and cash equivalents

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Cash at banks and cash in hand		
Denominated in		
— Renminbi Yuan	**950,361**	596,936
— U.S. Dollar	**32,649**	36,505
— Euro	**17,830**	3,440
— Others	**13**	15
	1,000,853	636,896
Less: restricted cash (Note 14)		
— pledged for letter of credits	**(51,642)**	(94,880)
— deposit for notes payables	**(88,200)**	(20,889)
	861,011	521,127

16 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 2013 and 30 June 2013	1,477,953	115	3,776,401	3,776,516
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 2013.

17 Share option

(a) Share Option Scheme

The share option scheme was approved on 30 January 2007.

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 2013 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 2013	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 2013
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	13,769,792	–	–	–	13,769,792

(b) Fair value of share options

The fair value of the share options granted has been valued by an independent qualified valuer using the Binomial valuation model.

	RMB'000
Fair value of the share options granted on 25 February 2008	29,174

17 Share option (continued)

(b) Fair value of share options (continued)

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

Grant date	25 February 2008
Spot share price (HK$)	**6.39**
Strike price (HK$)	**6.39**
Expected volatility	**44.81%**
Maturity (years)	**10**
Interest rate	**3.64%**
Dividend yield	**2.87%**
Suboptimal exercise factor	**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 share options are charged to the condensed consolidated statement of comprehensive income over the vesting periods of the options.

18 Trade and other payables

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade payables (a)	**1,889,860**	1,449,715
Related parties (Note 33(c))	**1,375,641**	890,780
Third parties	**514,219**	558,935
Other payables	**454,128**	500,085
Related parties (Note 33(c))	**6,791**	39,821
Third parties	**447,337**	460,264
	2,343,988	1,949,800

18 Trade and other payables (continued)

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

— Third parties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	**476,180**	515,556
Between 4 and 6 months	**14,775**	18,481
Between 7 and 12 months	**10,605**	9,383
Between 1 and 2 years	**5,628**	7,367
Between 2 and 3 years	**6,006**	6,922
Over 3 years	**1,025**	1,226
	514,219	558,935

— Related parties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Within 3 months	**372,887**	856,282
Between 4 and 6 months	**6,885**	10,120
Between 7 and 12 months	**995,869**	24,378
	1,375,641	890,780

19 Borrowings

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Non-current		
Bank borrowings	**994,822**	1,175,398
Current		
Bank borrowings	**1,590,423**	1,807,557
Total Bank borrowings	**2,585,245**	2,982,955

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Unsecured	**2,158,004**	2,322,220
Secured	**427,241**	660,735
Total Bank borrowings	**2,585,245**	2,982,955

The Group has bank borrowings of RMB155,000,000 secured by related parties as at 30 June 2013. The Group has no borrowings secured by property, plant and equipment, and land use rights.

19 Borrowings (continued)

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	**2,982,955**
Additions	**1,107,370**
Repayments of borrowings	**(1,505,080)**
Closing amount as at 30 June 2013	**2,585,245**
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

(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 2013	Audited 31 December 2012
Within 6 months	**2,190,345**	2,134,940
6–12 months	**394,900**	848,015
	2,585,245	2,982,955

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

	Unaudited 30 June 2013	Audited 31 December 2012
Bank borrowings	**5.15%**	6.29%

19 Borrowings (continued)

(b) (continued)

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 RMB1.65 billion as at 30 June 2013 (as at 31 December 2012: RMB1.93 billion).

20 Convertible bonds

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Convertible Bonds due 2016, liability components	**729,575**	703,684
Fair value of embedded derivatives	**64,864**	75,464
	794,439	779,148

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 the same as those described in the annual financial statements for the year ended 31 December 2012.

As of 30 June 2013, the 2016 Convertible Bonds have been reclassified as current liabilities due to the redemption option of the holders on 29 April 2014.

20 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 2012	75,464
Less: Fair value of conversion rights as at 30 June 2013	(64,864)
Fair value changes of conversion rights	10,600

The fair value change in the conversion rights for the period ended 30 June 2013 is RMB10,600,000, 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 2013 amounted to RMB56,383,000, which is calculated using the effective interest method with an effective interest rate of 16.45%.

	RMB'000
Liability component as at 31 December 2012	703,684
Add: Interest expense for the period (Note 25)	56,383
Unrealised exchange gain (Note 26)	(11,830)
Less: Interest payment during the period	(18,662)
Liability component as at 30 June 2013	729,575

The fair value of the liability component of the 2016 Convertible Bonds at 30 June 2013 amounted to RMB869,813,000. The fair value is calculated using cashflows discounted at a rate of 8.73%.

21 Other income — net

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Government subsidy income	**137,014**	112,426
Net income from sales of materials and scrap	**6,688**	3,305
Amortisation of deferred government grants	**1,978**	1,003
Net income from sales of trucks	**—**	—
Sales of trucks	**46,221**	16,515
Cost of trucks	**(46,221)**	(16,515)
Others	**6,282**	7,816
	151,962	124,550

22. Other gains/(losses) — net

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Gain on disposal of subsidiaries (Note 32)	**200,090**	47,312
Impairment loss for long-term receivable arising from a disposal (a)	**(90,277)**	—
	109,813	47,312

(a) The Group completed a 50% equity transfer of one of its subsidiaries, Chengdu Huifu Real Estate Co., Ltd. ("Huifu"), to a third party (the "Old Purchaser") in June 2012. In December 2012, the Group entered into an agreement (the "December 2012 Agreement") with the Old Purchaser for transferring its control, management and voting rights of the remaining 50% equity interests in Huifu to the Old Purchaser. As of 30 June 2013, the carrying value of the receivable balance arising from the December 2012 Agreement amounted to RMB90,277,000. Based on an assessment made by management on this receivable balance, the Group made an impairment provision with full amount of the outstanding receivable because of the doubtful collection from the Old Purchaser.

On 12 July 2013, the Group terminated the December 2012 Agreement with the Old Purchaser. At the same time, the Group repurchased the 50% equity interests in Huifu previously sold to the Old Purchaser at a consideration of RMB92,000,000.

On 19 August 2013, the Group entered into a new equity transfer agreement with another third party acquirer (the "New Purchaser"), Sichuan Yongjing Investment & Industrial Co., Ltd. ("Sichuan Yongjing Group"), to transfer its entire equity interests in Huifu at a total consideration of RMB350,000,000. Pursuant to the equity transfer agreement, this transaction is anticipated to be completed in the third quarter of 2013 and an estimated gain to be recognised from this transaction is approximately RMB250,000,000.

23 Expenses by nature

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Raw materials used and changes in inventories (Note 12)	**1,072,721**	930,634
Advertising and other marketing expenses	**397,107**	246,521
Depreciation of property, plant and equipment (Note 7)	**203,983**	177,060
Employee benefit expense (Note 24)	**150,888**	153,842
Water and electricity	**95,043**	106,747
Transportation and related charges	**86,146**	79,443
Repairs and maintenance	**22,237**	15,378
Land use tax	**14,707**	11,978
Travelling expense	**10,693**	12,860
Amortisation of trademark and license right (Note 8)	**9,540**	9,809
Disposal and impairment loss of inventories	**9,385**	13,332
Office and communication expenses	**8,323**	9,863
Amortisation of land use rights (Note 9)	**8,226**	8,162
Rental expenses	**4,122**	3,513
Impairment loss for trade and other receivables	**3,780**	4,751
Other expenses	**47,681**	23,456
Total cost of sales, selling and marketing expenses and administrative expenses	**2,144,582**	1,807,349

24 Employee benefit expense

	Note	Unaudited Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Wages and salaries		**125,425**	131,909
Contributions to pension plan and other benefits	(a)	**25,463**	27,796
Share-based payment credit		**—**	(5,863)
		150,888	153,842

(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 the six months ended 30 June 2013 and 2012 were as follows:

	Unaudited Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Salaries, wages and bonuses	**2,823**	1,834
Contributions to pension plan	**52**	14
Welfare and other expenses	**24**	38
	2,899	1,886

25 Finance costs

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest expenses:		
— Bank borrowings	**84,754**	100,292
— Interest expense relating to 2016 Convertible Bonds (Note 20)	**56,383**	52,244
Exchange loss (excluding 2016 Convertible Bonds)	**—**	13,604
Exchange loss on liability component of 2016 Convertible Bonds	**—**	2,296
Less: Interest capitalised	**(38,330)**	(53,032)
	102,807	115,404
Weighed average effective interest rate used to calculate capitalisation amount	**5.00%**	4.89%

26 Finance income

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest income from bank deposits	**3,166**	8,735
Exchange gain (excluding 2016 Convertible Bonds)	**14,928**	—
Exchange gain on liability component of 2016 Convertible Bonds (Note 20)	**11,830**	—
	29,924	8,735

27 Income tax expense/(credit)

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	**13,270**	2,539
Deferred income tax credit	**(10,581)**	(13,519)
	2,689	(10,980)

27 Income tax expense/(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 2013 and for the year ended 31 December 2012 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.

28 Earnings/(losses) per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company	**114,008**	(32,167)
Weighted average number of ordinary shares in issue (thousands)	**1,477,953**	1,477,953
Basic earnings/(losses) per share (RMB cents)	**7.7**	(2.2)

28 Earnings/(losses) per share (continued)

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company	114,008	(32,167)
Add: Interest expense relating to Convertible Bonds	—*	—*
Less: Unrealised exchange gain/(loss) relating to Convertible Bonds	—*	—*
Less: Fair value changes of conversion rights of Convertible Bonds	—*	—*
Profit/(loss) attributable to equity holders of the Company, used to determine diluted earnings/(loses) per share	114,008	(32,167)
Weighted average number of ordinary shares in issue (thousands)	1,477,953	1,477,953
Adjustment for Convertible Bonds (thousands)	—*	—*
Adjustment for share options (thousands)	—**	—**
Weighted average number of ordinary shares for diluted earnings/(losses) per share (thousands)	1,477,953	1,477,953
Diluted earnings/(losses) per share (RMB cents)	7.7	(2.2)

* During the six months ended 30 June 2013 and 2012, the impact of interest expense of, unrealised exchange gain/(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 earnings/(losses) per share.

** In the first half year of both 2013 and 2012, share options are antidilutive and have therefore been excluded from the calculation of diluted earnings/(losses) per share.

29 Dividends

The board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2013 (corresponding period in 2012: nil).

30 Contingent liabilities

There were no material contingent liabilities as at 30 June 2013 (as at 31 December 2012: nil).

31 Commitments

(a) Capital commitments

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

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Purchase of property, plant and equipment	**123,314**	128,106

(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 2013 RMB'000	Audited 31 December 2012 RMB'000
No later than 1 year	**3,000**	4,000
Later than 1 year and no later than 5 years	**4,000**	4,000
	7,000	8,000

32. Disposal of a subsidiary

On 21 June 2013, the Group entered into an agreement with Chengdu President Enterprises Food Co. Ltd. ("Chengdu President") and Uni-President Enterprises (China) Investments Ltd. ("Uni-President China") (collectively, the "Acquirers"), to transfer its entire equity interests in Shanghai Huiyuan Food & Beverage Co., Ltd. ("Shanghai Huiyuan"), an indirect wholly-owned subsidiary of the Company, of which 75% and 25% interests shall be transferred to Chengdu President and Uni-Present China respectively, for a total cash consideration of RMB300,000,000.

As of 30 June 2013, the Group has derecognised its investment in Shanghai Huiyuan.

	Unaudited 30 June 2013 RMB'000
Consideration satisfied by	
Cash	150,000
Consideration receivable	150,000
	300,000
Gain on disposal of the subsidiary	
Total consideration	300,000
Carrying value of the investment in the subsidiary — shown as below	(99,910)
	200,090

32. Disposal of a subsidiary (continued)

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	47,381
Land use rights	19,943
Trade and other receivables	7,955
Cash and cash equivalents	3,056
Trade and other payables	(11,011)
Net assets of the subsidiary	67,324
Other reserves arising from prior year's acquisition of the subsidiary (a)	32,586
Carrying value of the investment in the subsidiary	99,910
Inflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	150,000
Cash and cash equivalents in the subsidiary disposed	(3,056)
Cash inflow on the disposal during the period	146,944

As of the report date, the Group has received RMB285,000,000 from the Acquirers, which represents 95% of the total consideration.

(a) In April 2005, Huiyuan Shanghai Holdings Limited ("Shanghai Holdings") acquired 75% and 25% equity interests in Shanghai Huiyuan from Beijing Huiyuan Beverage & Food Group Co., Ltd. (which is ultimately owned by Mr. Zhu Xinli) and the non-controlling shareholder at cash considerations of approximately RMB105,115,000 and RMB35,038,000 respectively. The above acquisition was under common control, therefore, the difference between the total consideration paid by Shanghai Holdings and the carrying value of the net assets of Shanghai Huiyuan was recorded in other reserves, which amounted to approximately RMB32,586,000.

33 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 2013 RMB'000	2012 RMB'000
Sales of goods and services		
Sales of recyclable containers	17,447	23,929
Income for provision of power and other utilities	1,081	2,946
	18,528	26,875
Purchase of materials and services		
Purchase of raw materials	298,047	332,956
Rental expenses for land use rights and lease of property, plant and equipment	1,000	1,000
	299,047	333,956
Key management compensation		
Salaries, wages and bonuses	2,456	3,633
Contributions to pension plan	275	53
Welfare and other expenses	106	167
Share-based payment credit	—	(5,863)
	2,837	(2,010)

During the six months ended 30 June 2013 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 beneficially owned by Mr. Zhu Xinli, at nil cost.

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

33 Related-party transactions (continued)

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

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade receivables	13	**5,515**	8,886
Other balances due from related parties	13	**597**	3,510
Trade payables	18	**1,375,641**	890,780
Other balances due to related parties	18	**6,791**	39,821

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

34. Events after the balance sheet date

In July 2013, the Group terminated an agreement with a third party purchaser in terms of transferring its control, management and voting rights in Huifu, and repurchased an aggregate of 50% equity interests in Huifu. Thereafter, the Group entered into an equity transfer agreement with another third party purchaser, Sichuan Yongjing Group, in August 2013 (Refer to Note 22 for details) to dispose its 100% equity interests in Huifu.

Glossary of Terms

"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", "Huiyuan Juice" or "Huiyuan"	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"	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

"Ordinary Shares" or "Shares"	Ordinary shares of US$0.00001 each in the share capital of the Company
"Prospectus"	the prospectus issued by the Company on 8 February 2007 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Company as set up by the Board on 21 September 2006
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SAIF"	Sino Fountain Limited, a company incorporated in the British Virgin Islands which is indirect wholly owned by Mr. Andrew Y. Yan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 30 January 2007, the principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"United States"	The United States of America
"US$" or "USD"	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*