中國滙源果汁集團有限公司

China Huiyuan Juice Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1886

Annual Report 2013

2013 Annual Report
China Huiyuan Juice Group Limited

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. In 2013, we completed the acquisition of China Huiyuan Industry Holding Limited ("Huiyuan Industry"), a leading producer of fruit juice concentrates and purees in China and one of our largest suppliers. Post the acquisition, we are one of the few companies in the fruit and vegetable juice industry in China with a vertically-integrated business model that allows us to have visibility and control over the entire production process. As at the end of 2013, the Group has 49 subsidiaries with 7,121 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 2013, the Group's 100% juice and nectars continue to rank as the market leader with market shares of 56.0% and 45.2%, 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 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 (resigned on 18 March 2014)
Mr. CUI Xianguo (appointed on 18 March 2014)

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 (resigned on 31 December 2013)
Ms. MOK Ming Wai (appointed on 31 December 2013)

Authorized Representatives

Mr. ZHU Xinli
Ms. MA Sau Kuen Gloria (resigned on 31 December 2013)
Ms. MOK Ming Wai (appointed on 31 December 2013)

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 KYI-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 Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KYI-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

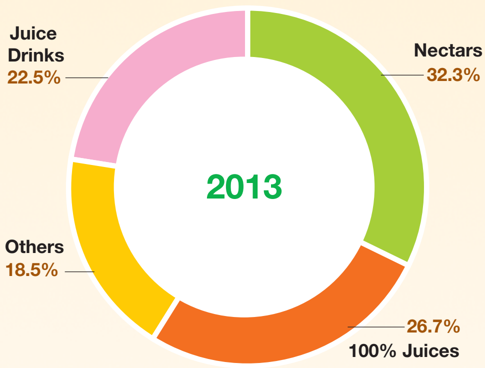
Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

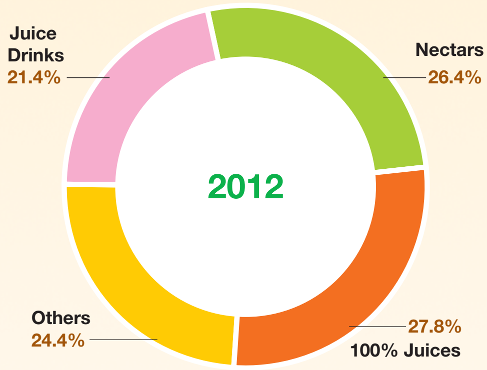
Principal Bankers

Bank of Communications
Bank of China

Financial Highlights

Percentage of total sales by product





Comparison of results of 2013 and 2012

	For the year ended 31 December (RMB'000)	
	2013	**2012**
Revenue	**4,503,885**	3,980,766
Gross profit	**1,398,332**	1,115,158
Profit attributable to equity holders	**228,463**	16,159
Adjusted profit attributable to equity holders (Note)	**330,932**	101,867
EBITDA	**971,234**	604,869
Earnings per share (RMB cents)		
— Basic	**13.5**	1.1
— Diluted	**13.5**	1.1
Proposed final dividend per share (RMB cents)	**—**	—

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

Financial Highlights (Continued)

Financial ratio

	For the year ended 31 December		
	2013	2012	Change
Return on equity	**2.2%**	0.3%	+1.9%
Return on assets	**1.4%**	0.1%	+1.3%
Gearing ratio (total debt/equity holders' equity) (Note 1)	**43.7%**	71.2%	-27.5%

Operating ratio (Note 2)

	For the year ended 31 December		
	2013	2012	Change
Turnover of finished goods	**12 days**	22 days	-10 days
Turnover of raw materials	**142 days**	184 days	-42 days
Turnover of trade receivables	**91 days**	73 days	+18 days
Turnover of trade payables	**127 days**	185 days	-58 days

Note 1: The total debt includes total borrowings of RMB3,786.0 million as at 31 December 2013 (as at 31 December 2012: RMB2,983.0 million) and convertible bonds of RMB837.6 million as at 31 December 2013 (as at 31 December 2012: RMB779.1 million).

Note 2: The turnover of finished goods as at 31 December is calculated as the balance of finished goods as at 31 December divided by cost of sales for the year multiplied by 365 days.
The turnover of raw materials as at 31 December is calculated as the balance of raw materials as at 31 December divided by raw materials used for the year multiplied by 365 days.
The turnover of trade receivables as at 31 December is calculated as the total balance of trade receivables and bills receivable as at 31 December divided by sales for the year multiplied by 365 days.
The turnover of trade payables as at 31 December is calculated as the total balance of trade payables as at 31 December divided by cost of sales for the year multiplied by 365 days.

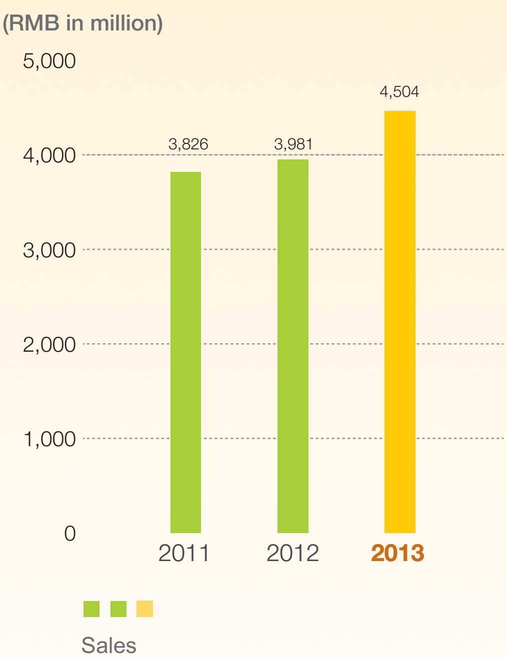
Five-year financial summary

	For the year ended 31 December (RMB million)				
	2013	2012	2011	2010	2009
Results					
Revenue	**4,503.9**	3,980.8	3,825.6	3,708.0	2,832.6
Gross profit	**1,398.3**	1,115.2	964.3	1,362.0	1,020.6
Profit for the year	**235.4**	16.2	310.5	198.3	233.5
Gross profit margin	**31.0%**	28.0%	25.2%	36.7%	36.0%
Net profit margin	**5.2%**	0.4%	8.1%	5.3%	8.2%
Profit attributable to equity holders of the Company	**228.5**	16.2	310.5	198.3	233.5

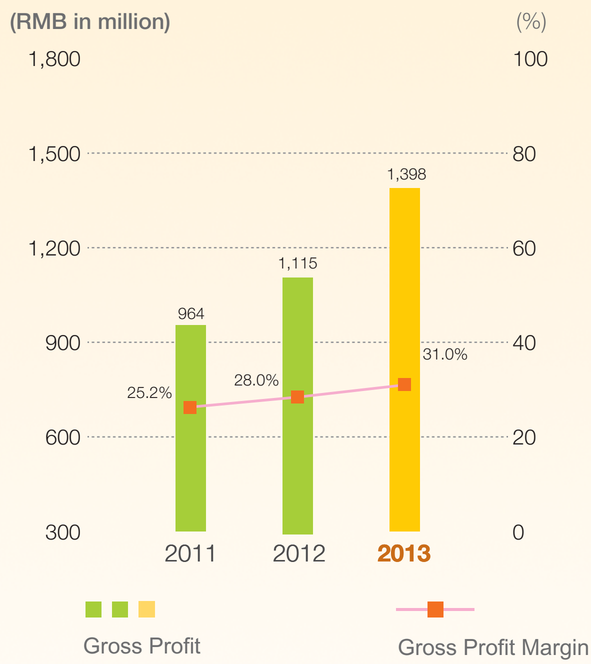
	As at 31 December (RMB million)				
	2013	2012	2011	2010	2009
Assets, liabilities and equity					
Total assets	**17,213.3**	11,159.4	10,046.3	9,293.7	7,072.6
Total liabilities	**6,488.8**	5,873.2	4,770.4	4,281.3	2,263.7
Equity attributable to equity holders of the Company	**10,576.5**	5,286.2	5,275.9	5,012.4	4,808.9
Minority interests	**148.0**	—	—	—	—

Financial Highlights (Continued)

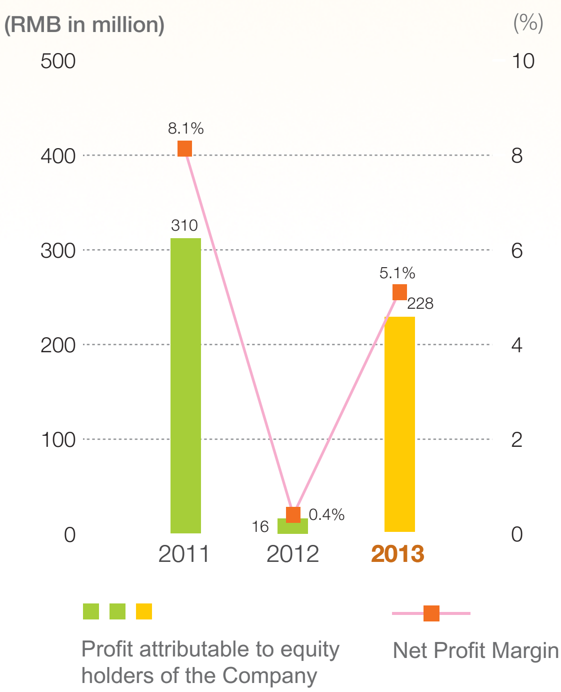
Sales



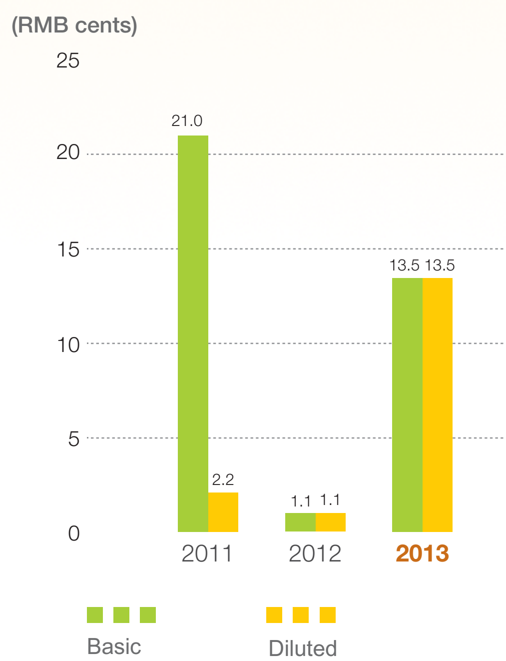
Gross Profit



Profit attributable to equity holders of the Company



Earnings per share



Chairman's Statement

ZHU Xinli
Chairman

Marco-economic Environment

In 2013, despite the sluggish pace of recovery in the global macro-economy, we saw steady progress with improved stability and more clarity towards a forward path. In the developed world, as the United States housing and employment markets showed signs of recovery, the US Federal Reserve announced that it would begin to taper its quantitative easing monetary policy while maintaining a low interest rate environment to stimulate consumer confidence. In China, the domestic economy delivered stable growth with annual GDP rising 7.7%. In 2013, real disposable income per capita increased by 7.0% and 9.3% for the urban and rural population, respectively. The Third Plenary Session of the 18th CPC Central Committee reiterated policies encouraging rural reforms and urbanization, which are expected to further increase disposable income per capita. The central government's easing of the "single-child policy" will also act as a catalyst to drive consumption growth. The annual total retail sales of consumer goods in 2013 increased by 11.5% as compared with last year. In terms of consumption, sales in the food and beverage sector increased by 9.0% as compared with last year while retail sales of consumer goods recorded a 13.6% increase, indicating a promising outlook for the consumer sector as a whole. The central government continued to promote domestic consumption after the Third Plenary Session. The beverage industry is expected to benefit from these policies.

With improved living standards, Chinese consumers have shown increasing concern about environment protection and food quality and food safety. Meanwhile, "food safety" has been a key focus of the government as reflected in repeated references in announcements issued by the Central Rural Work Conference. Renowned brand names with a strong emphasis on food safety and an established history and strong reputation such as Huiyuan will benefit from their commitment to high standards on food processing safety and the increased awareness of health and wellness by consumers and the government.

Chairman's Statement (Continued)

Corporate Mission and Value

We continue to promote our corporate mission of "benefiting the agricultural industry, the peasants and the rural areas and nourishing the people". We believe that through our core business, we are not only helping millions of fruit farmers to sell their fruit and generate income, but we are also driving the market for juice consumption and promoting a healthy lifestyle among China's billion plus consumers. This year we have established "to value our customers, to embrace struggle and to reward contributors" as the Company's core values. Huiyuan has focused on the juice and beverage market for over 20 years. We evolve based on the needs of consumers. We are very optimistic about the future market outlook, but are cautious not to take for granted our current market position and historical success. Change is a part of this large consumer era. We believe that Huiyuan will always walk in the forefront and continue to strengthen its leadership position in the juice beverage industry.

Major Events

2013 was a significant year for the Company. First, we completed the acquisition of Huiyuan Industry, our upstream raw material supplier. Huiyuan Industry is one of our largest suppliers of raw materials and a leading producer of fruit juice concentrates and purees in China. The acquisition was of strategic importance to Huiyuan for a number of reasons; 1) it transforms the Group into a vertically-integrated business model and secures long-term access to key raw materials; 2) it improves quality control and food safety controls; 3) it further diversifies our revenues; 4) it increases the transparency of the Company and significantly reduces connected transactions; 5) it strengthens the financial of the Company and enhances the Company's ability for future growth; 6) it improves the Company's operational efficiency by generating synergies from the combination of the upstream and downstream businesses.

In July 2013, we appointed Mr. Daniel Saw as the Company's CEO. In short time, Mr. Daniel Saw has assembled a core management team that is very seasoned in the consumer products industry and has initiated changes throughout the organization in our sales and marketing systems, and in production, research and development, and supply chain. I am excited to work with Daniel and his new team and I am confident in the ability of our new team to drive our business to a higher and faster level of growth.

During the year, we disposed of two plants in Chengdu and Shanghai for an aggregate consideration of RMB650 million, which will be used to fund our general operations and to repay debts in the future. Looking ahead, we will continue to identify similar opportunities to dispose of and optimize assets and further improve our capital structure, aiming at enhancing our operational efficiency, capacity utilization and financial structure as a whole.

Operating Results

In 2013, the Company's results grew steadily and faster than the overall juice market. For the year ended 31 December 2013, our revenue reached RMB4,503.9 million, representing a YoY growth of 13.1%. Sales of 100% juice grew by 8.7%, and sales of nectars reached RMB1,456.1 million, representing a YoY growth of 38.7%. Due to our changing sales mix, our gross profit margin increased from 28.0% in 2012 to 31.0% in 2013.

The Company won a number of awards in 2013, including the "Listed Company with the Best Brand Value" the Golden Bauhinia Award of China Securities 2013 and honors like "Model Brand Name of the Year" in the 6th China Food Innovation Ceremony in 2013.

Product and Market Development

Over the past 21 years, we have been focused on the fruit juice industry. "Huiyuan" continues to be the leading brand in the fruit and vegetable juice industry. According to Nielsen, in terms of sales volume, the Company's 100% juice and nectars retained their market leading position with market shares of 56.0% and 45.2%, respectively.

Our main products are divided into three types: 100% juice, nectars and juice drinks. 100% juice is the Company's core product. In nectars, our Pulp Series was well received by the market and has shown strong growth in sales. For juice drinks, we introduced a rock-sugar hawthorn juice drink, a product that we developed internally made of hawthorn juice concentrate with a sour yet refreshing taste and the benefit of reducing oiliness, and it has been well-received by the market.

Production and Distribution

Our production will be more focused on quality and cost. For the year ended 31 December 2013, we had 49 production bases, including 12 original upstream fruit processing bases and 37 original downstream bottling plants. The sale of our Shanghai and Chengdu facilities allowed us to monetize on our existing assets while lowering our maintenance cost as well as increasing our efficiency. We have also rationalized our logistics system towards the end of 2013 to improve the coordination between our manufacturing facilities and sales teams to lower our overall logistics costs.

Our sales system has been improving. As of December 31, 2013, we have a distribution team of 3,000 people, and 5,000 distributors, covering 1,700 cities and 600,000 active points of retail sales nation-wide. We will further streamline the distribution channels, enhance our channel management, and place focus on the restaurant and catering channel and e-commerce channel. At the same time, our sales network also extends from first-tier cities to third and fourth-tier cities. We believe we have a strong presence in rural areas.

In addition, we have established a new sales incentive scheme for the sales operation and management team, which will enhance the decision making capability and strength of the sales team to aggressively expand in the modern food channel, traditional channel, restaurant and catering channel, special distribution channel and e-commence channel.

Prospects

Looking forward to 2014, we will continue to drive changes, such as to refine our products portfolio and marketing communications strategy, to improve our distribution channels, and to enhance the efficiency of our supply chain.

We are repositioning our brand image to promote a younger, livelier, fresher image and target a younger consumer audience. In the PRC fruit juice market, we have established a strategic a partnership with Ogilvy and Mather to upgrade our brand image. We are working together to reposition Huiyuan's brand concept and develop the marketing plan, digital media communication plan, new product roadmap, and the website redesign programme. Also, we will further refine our key marketing message to not only educate consumers about the health and wellness benefits of juice and vegetable drinks, but to cooperate with industry associations to guide the consumption behaviors of consumers and to drive the overall growth of the juice industry. In terms of our distribution channel, the e-commerce channel, restaurant and catering channel and rural market will be key development areas. At the same time, to optimize our sales model, we will focus on developing larger scale, higher quality distributors and establish sub-distributor relationships. Through sub-distributors, we will expand our network coverage to increase the end salespoints, increase efficiency of our sales distribution channel, and quickly increase the strength of our sales points.

In terms of supply chain, through better coordination between manufacturing and sales, we will continue to increase our manufacturing efficiency and utilization. Concurrently, more stringent cost control and improved working capital management, as well as growth in the core fruit juice business and rationalization of the sales channel should naturally lead to better cashflows and profit for the Company.

It remains our mission to be the leading, highest quality and healthy fruit and beverage company in China. We are extremely optimistic about the future of the juice and beverage industry. With the continuous development of China's economy, the secular trends of increasing urbanization, rising disposable income per capita and the rapid growth of health awareness of consumers will drive the demand for quality juice and beverages.

On behalf of the Board of the Company, I would like to express my gratitude to our customers, our shareholders, management, employees and all of our business partners. In the face of the challenges of today's market environment, we will continue to forge ahead, adhering to our philosophy of "Customer First", growing the value of our brand and bringing a brighter future to the Company.

Zhu Xinli
Chairman
Hong Kong, 18 March 2014

Management Discussion and Analysis

MARKET REVIEW

Review of the China Juice Beverage Market

China recorded GDP growth of 7.7% in 2013, a slight decrease from 7.8% compared to the previous year. China's total retail sales of consumer goods in 2013 recorded a real growth of 11.5% compared to the previous year. If we look at the consumption by category, income from beverage increased by 9.0% compared to the previous year; while retail sales increased by 13.6%. The new-term government will continue stimulating growth through domestic consumption.

With improved living standards, Chinese consumers have shown increasing concern about environment protection and food quality and food safety. Meanwhile, "food safety" has been a key focus of the government as reflected in repeated references in announcements issued by the Central Rural Work Conference. Renowned brand names with a strong emphasis on food safety and an established history and strong reputation such as Huiyuan will benefit from their commitment to high standards on food processing safety and the increased awareness of health and wellness by consumers and the government.

Total sales volume for fruit and vegetable juices in China increased to 4.4 billion liters 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 in 2013.

2013	Market Share By Volume (%)	Market Share By Value (%)
100% Juice		
Huiyuan Juice	**56.0**	**50.0**
Second ranked competitor	24.9	28.9
Third ranked competitor	6.2	5.7
Fourth ranked competitor	2.9	2.9
Fifth ranked competitor	1.5	1.6
26%–99% Concentration(Note 1)		
Huiyuan Juice(Note 2)	**45.2**	**38.5**
Second ranked competitor	28.1	22.9
Third ranked competitor	4.5	6.3
Fourth ranked competitor	4.5	6.4
Fifth ranked competitor	3.1	3.3
25% & Below Concentration		
First ranked competitor	30.8	32.4
Second ranked competitor	26.2	24.1
Third ranked competitor	20.4	18.2
Fourth ranked competitor	6.5	6.3
Fifth ranked competitor	4.0	4.7
Huiyuan Juice(Note 3)	**2.4**	**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 Kingdom", "Xi Qing", "Quan You" and "GuoXianmei", the sub-brands of Huiyuan Juice.

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

"Nielsen's 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's information should not be considered as Nielsen's opinion as to the value of any security or the advisability of investing in the company."

Management Discussion and Analysis (Continued)

BUSINESS REVIEW

For details of our business review, please refer to the Chairman's Statement on pages 6 to 11.

FINANCIAL REVIEW

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year change
	2013	2012	(%)
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**4,503,885**	3,980,766	13.1%
Gross profit	**1,398,332**	1,115,158	25.4%
Profit attributable to equity holders	**228,463**	16,159	1,413.8%
Adjusted profit attributable to equity holders	**330,932**	101,867	324.9%
EBITDA	**971,234**	604,869	60.6%
Earnings per share (RMB cents)(Note 1)			
— basic	**13.5**	1.1	
— diluted	**13.5**	1.1	
Selected financial ratios			
Gross profit margin (%)	**31.0%**	28.0%	
Margin of profit attributable to equity holders (%)	**5.1%**	0.4%	
EBITDA margin (%)	**21.6%**	15.2%	
Return on equity holders' equity (%)	**2.2%**	0.3%	
Gearing ratio (total debt to equity holders' equity)(Note 2)	**43.7%**	71.2%	

Notes:

(1) Please refer to Note 31 of the Consolidated Statements of Comprehensive Income for the calculation of earnings per share.

(2) The gearing ratio is calculated based dividing the total debt by equity holders' equity as at 31 December 2013.

Sales

Sales of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products, increased by 13.1% from RMB3,980.8 million in 2012 to RMB4,503.9 million in 2013.

Sales of 100% fruit juices accounted for 26.7% of the Group's total sales in 2013. Sales of 100% fruit juices increased by 8.7% from RMB1,108.0 million in 2012 to RMB1,204.7 million in 2013, primarily due to an 8.5% increase in sales volume and an 0.2% increase in average selling price.

Sales of nectars became the largest component of the Group's revenue in 2013, which accounted for 32.3% of the Group's total sales. Compared to the previous year, sales volume of nectars increased by 38.3%, while its average selling price increased by 0.3%, resulting in an increase in the sales of nectars by 38.6% from RMB1,049.9 million in 2012 to RMB1,456.1 million in 2013.

Sales of juice drinks, which accounted for 22.5% of the Group's total sales, increased by 18.7% from RMB851.9 million in in 2012 to RMB1,011.2 million in 2013, primarily due to an 17.4% increase in average selling price.

The sales of other beverage products decreased by 14.3% from RMB970.9 million in 2012 to RMB831.9 million, primarily due to a 16.3% decrease in sales volume.

Cost of Sales

Cost of sales increased by 8.4% from RMB2,865.6 million in 2012 to RMB3,105.6 million in 2013. Total sales volume increased by 1.8% from 2012 to 2013. Our average cost per ton increased 6.4% due to a shift towards selling more higher juice content fruit and vegetable juices.

Gross profit

Gross profit increased by 25.4% from RMB1,115.2 million in 2012 to RMB1,398.3 million in 2013. Gross profit margin increased by 3.0 percentage points from 28.0% in 2012 to 31.0% in 2013. The increase in gross profit margin was primarily attributable to improved sales mix from 100% juices and nectars which command higher-margins, while other low-margin products accounted for lower proportion. In addition, with the launch of new products, gross profit margin of juice drinks also increased compared with the previous year.

Other Income

Other income increased by 20.4% from RMB280.4 million in 2012 to RMB337.5 million in 2013. Other income consists primarily of government subsidy income.

Other Gain

Other gain recorded a total gain of RMB425.9 million. Other gain consists of the gains achieved from the disposal of assets which primarily includes two plants in Chendu and Shanghai.

Management Discussion and Analysis (Continued)

Selling and Marketing Expenses

Selling and marketing expenses increased by 27.4% from RMB980.6 million in 2012 to RMB1,248.9 million in 2013, mainly due to an increase in selling expenses.

Administrative Expenses

Administrative expenses increased by 49.0% from RMB277.8 million in 2012 to RMB413.9 million in 2013. The administrative expenses as a percentage of revenue increased from 7.0% in 2012 to 9.2% in 2013.

Net Finance Income/Cost

The Group recorded a net finance cost of RMB172.8 million in 2013 as compared to RMB205.1 million in 2012.

Income Tax Expense

In 2012, the Company recorded an income tax credit of RMB14.6 million as certain of our subsidiaries suffered from losses and recognised deferred tax assets. Income tax expense in 2013 was RMB83.4 million.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, the Company recorded an operating profit of RMB491.6 million in 2013 as compared with RMB206.6 million of operating profit recorded in 2012. The adjusted profit attributable to the equity holders of the Company for 2013 was RMB330.9 million, compared to RMB101.9 million recorded in 2012. The profit attributable to the equity holders of the Company for 2013 was RMB228.5 million, compared to RMB16.2 million recorded in 2012.

Liquidity and Capital Resources

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

As at December 31 2013, the Group had total outstanding bank borrowings of RMB3,786.0 million and total outstanding convertible bonds of RMB837.6 million, while the outstanding bank borrowings and outstanding convertible bonds in 2012 were RMB2,983.0 million and RMB779.1 million respectively. The Group's gearing ratio (total borrowings including convertible bonds to equity holders' equity as at December 31 2013 was 43.7%, a decrease of 27.5 percentage points compared to 71.2% as at December 31 2012.

Operating activities

Net cash generated from operating activities was RMB729.9 million in 2013, while the Group's net profit before tax for the same period was RMB318.8 million. The difference of RMB411.1 million was primarily due to a RMB440.7 million depreciation of fixed assets, a RMB513.6 million decrease in inventories and a RMB626.2 million decrease in trade and other receivables that was partially offset by a RMB717.4 million decrease in trade and other payable.

Investing activities

Net cash used in investing activities in 2013 was RMB133.8 million as compared to net cash used in investing activities of RMB366.6 million in 2012. Purchase of property, plant and equipment in 2013 was RMB208.1 million.

Financing activities

Net cash generated from financing activities in 2013 was negative RMB177.7 million as compared to net cash generated from financing activities of RMB467.8 million in 2012.

Capital Expenditures

Capital expenditures primarily comprised purchases of property, plant and equipment, and additions to land use rights. The Group's annual total capital expenditures in 2013 decreased significantly compared to the previous year. During the year ended 31 December 2013, the Group spent RMB208.1 million on the purchase of property, plant and equipment and RMB125.8 million on the acquisition of land use rights.

As at 31 December 2013, the Group had capital commitments of RMB83.3 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2014 will be continuously reduced compared with 2013. In 2014, the Group plans to finance its capital expenditure requirements primarily with cash generated from its operations and bank loans.

Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consisted of raw materials (including packaging materials, juice concentrates, purees, sugars and additives) and finished goods (including juices and the beverage products). Raw materials made up the majority of the Group's inventories. Turnover days for raw materials and finished goods decreased from 184 and 22 days, respectively, in 2012 to 142 and 12 days, respectively, in 2013.

Turnover days for trade receivables in 2013 increased to 91 days from 73 days in 2012. Our trade receivables are primarily attributable to our direct sales business. Trade receivables from the sale of fruit purees and concentrates which is typically longer that our traditional juice business also impacted our turnover days.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 31 December 2013, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2013, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 31 December 2013, the Group did not have any capital leases.

MARKET RISKS

The operating activities of the Group exposed 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 was carried out by the group treasury through identifying, evaluating and hedging 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 the import of certain raw materials, and thus exposes the Group to foreign currency exchange risk arising from various currency exposures primarily with respect to the United State Dollar. The Group is also exposed to foreign currency exchange risk arising from bank deposits, convertible bonds and bank borrowings denominated in USD. The Group did not use forward contract/derivative instruments in 2013, but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2013, assuming the exchange rate of RMB increased/decreased by 1% against the USD with all other variables remain unchanged, the Group's profit after tax for 2013 would have been decreased/increased by RMB23.1 million (2012: RMB15.9 million), mainly due to the foreign exchange losses/gains on the translation of USD-denominated convertible bonds and bank borrowings.

Credit Risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods, while credit sales are made only to selected customers, including distributors with long-term relationship with the Group and supermarket operators having entered into contracts with the Group with credit terms. The Group assesses the credit quality of its customers by taking into account various factors, including their financial position and previous record, and will monitor the utilization of credit limits on a regular basis. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the five largest customers was RMB479.5 million as at 31 December 2013 (2012: RMB412.1 million), representing 40% of the total balance of trade receivables as at 31 December 2013 (2012: 52%).

EMPLOYEES AND WELFARE CONTRIBUTION

As at 31 December 2013, the Group had 7,121 employees. The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

As at 31 December 2013, the Group's employees' deployment by function was as follows:

Functions	
Production	2,389
Selling and Marketing	2,489
Management and other administration	1,502
Research and development (including quality assurance)	360
Finance and accounting	312
Purchase and supply	69
Total headcount	7,121

The Group enters into individual employment contracts with its employees, which cover matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. Other than employment contracts with middle and senior management, these employment contracts have a term of between one and three years with a probation period between one and six months. The Group rewards its employees for innovations and improvements by giving them incentive bonuses.

The Group invests in continuing education and training programs for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group has arranged internal and external vocational training courses for its employees with a view to upgrading their skills and knowledge. These training courses cover a broad spectrum, including further educational on basic production process and skills training, as well as professional development courses for its management personnel.

In accordance with relevant PRC regulations on social insurance, the Group participates in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan, a work-related injury insurance plan for its employees as required by local government.

The employees of the Group have established a labor union, which is a member of the All China General Trade Union. The labor union organizes various activities to improve the quality of life for our employees.

Report of the Directors

The board of directors of the Company present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

Principal activities

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The Company's principal subsidiaries are primarily engaged in the manufacturing and sales of juice products, fruit juice concentrates and purees. Details of the activities of the subsidiaries of the Group are set out in note 10 to the consolidated financial statements on pages 92 to 94 of this annual report.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2013 are set out on page 59 of this annual report. The Board has resolved not to recommend payment of final dividend for the year ended 31 December 2013.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 8 to the consolidated financial statements on page 89 of this annual report.

Summary of financial information

A summary of the Group's results, assets, liabilities and minority interests for the last five financial years is set out in the section headed "Financial Highlights" on page 4 of this annual report.

Share capital

Details of the movement in the Company's share capital during the year ended 31 December 2013 are set out in note 18 to the consolidated financial statements on page 102 of this annual report.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Reserves

Details of movements in the reserves of our Company for the year ended 31 December 2013 are set out in note 19 to the consolidated financial statements on page 103 of this annual report.

Distributable reserves

As at 31 December 2013, the Company's distributable reserves were RMB526 million.

Directors

The Directors who held office during the year ended 31 December 2013 and up to the date of this report are:

Executive Directors:

Mr. ZHU Xinli *(Chairman and President[1])*
Mr. JIANG Xu
Mr. LEE Wen-chieh[2]
Mr. Cui Xianguo[2]

Non-executive Director:

Mr. Andrew Y. YAN

Independent non-executive Directors:

Mr. LEUNG Man Kit
Mr. SONG Quanhou
Mr. ZHAO Chen
Ms. ZHAO Yali

Notes:

1. Mr. ZHU Xinli stepped down from the position of President when Mr. Daniel Saw has been appointed as the Chief Executive Officer of the Company effective from 15 July 2013. Mr. Zhu remained as an executive Director and the Chairman of the Board.

2. Mr. LEE Wen-chieh resigned as an executive Director of the Company effective immediately after the conclusion of the board meeting of the Company on 18 March 2014; Mr. CUI Xianguo was appointed as an executive Director with effect immediately after Mr. Lee's departure to fill the vacancy.

In accordance with the Company's articles of association, Mr. Leung Man Kit, Mr. Zhao Chen and Ms. Zhao Yali will retire from office as Director by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, offer themselves for re-election.

Independence of the independent non-executive Directors

The Board has received from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Hong Kong Listing Rules, and considers that all the independent non-executive Directors are independent.

Biographical details of the Directors and the senior management

Biographical details of the Directors and the senior management of the Group as at the date of this report are set out in the section headed "Directors and Senior Management" on pages 48 to 53 of this annual report.

Directors' service contracts

None of the Directors (including those Directors proposed for re-election at the forthcoming AGM) has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and controlling shareholder's interests in contracts

Save for the related party transactions of the Group with the companies controlled by Mr. Zhu Xinli, an executive Director, no other Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group for the year ended 31 December 2013.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be 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 in the ordinary shares of the Company as at 31 December 2013

Name of director	Personal interest	Family interest	Corporation interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	–	–	1,066,458,608[(a)]	–	1,066,458,608[(a)]	53.31%
			110,161,215[(b)]		110,161,215[(b)]	5.50%
Andrew Y. Yan[(c)]	–	–	337,497,501	–	337,497,501	16.87%

Long positions in the underlying ordinary shares of the Convertible Preference Shares of the Company as at 31 December 2013

Name of director	Personal interest	Family interest	Corporation interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	–	–	655,326,877	–	655,326,877[a]	32.76%

Note:

(a) These shares were beneficially owned by China Huiyuan Holdings, which is wholly-owned by Mr. Zhu Xinli. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the shares held by China Huiyuan Holdings.

(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.

To the best knowledge of the Directors, save as disclosed above, as at 31 December 2013, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Directors' rights to acquire shares

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in this report, at no time during the year ended 31 December 2013 or the period following 31 December 2013 up to the date of this report, was the Company or any of its subsidiaries or holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

The Company has adopted two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme, the details of which are set out below:

1. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 30 January 2007. The purpose of our Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group.

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

2. Share Option Scheme

The Share Option Scheme was approved on 30 January 2007. The purpose of the Share Option Scheme is to provide incentive and/or reward to any director or employee of the Group or of any entity in which the Company has equity interest, any executive of the controlling shareholder of the Group, and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to the Group and their continuing efforts to promote the Group's interests.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and 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 of the Company 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 of the Company in issue.

The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007 and the options granted have a 10-year exercise period. Commencing from the first, second, third and fourth anniversary of grant of an option granted, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his/her option.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2013 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2013	Number of underlying shares comprised in the options cancelled or lapsed during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the outstanding options as at 31 December 2013
An aggregate of 515 employees	25 February 2009	25 February 2018	6.39	28,810,500	15,040,708	–	13,769,792
				28,960,500	15,190,708	–	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 31 December 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 in the ordinary shares of the Company as at 31 December 2013

Name	Number of shares	Percentage of the Company's share capital
Mr. Zhu Xinli	1,066,458,608[(a)]	53.31%
	110,161,215[(c)]	5.50%
Huiyuan Holdings	1,066,458,608[(a)]	53.31%
China Huiyuan Holdings	1,066,458,608[(a)]	53.31%
Entie Commercial Bank	337,497,501	16.87%
Sino Fountain Limited[(b)]	337,497,501	16.87%
SAIF III GP Capital Ltd.[(b)]	337,497,501	16.87%
Mr. Andrew Y. Yan[(b)]	337,497,501	16.87%
Huiyuan Employees Benefit Co., Limited[(c)]	110,161,215	5.50%
Ms. Shi Xiuping[(c)]	110,161,215	5.50%
Mr. Zhao Jinlin[(c)]	110,161,215	5.50%

Long positions in the underlying ordinary shares of the Convertible Preference Shares of the Company as at 31 December 2013

Name of director	Personal interest	Family interest	Corporation interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	–	–	655,326,877	–	655,326,877[a]	32.76%

Note:

(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 Xinli and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively.

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

(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 31 December 2013, the Directors are not aware of any persons who should be registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 21 October 2013, the Company issued 447,322,020 ordinary shares and 655,326,877 convertible preference shares as the consideration for the Acquisition (as defined below). The convertible preference shares are convertible into the ordinary shares as 1:1 basis subject to satisfaction of the minimum public float requirements under the Listing Rules.

During the year ended 31 December 2013, none of the convertible preference shares was converted nor redeemed.

During the year ended 31 December 2013, none of the convertible bonds issued by the Company in April 2011 in the aggregate principal amount of US$150 million was converted nor redeemed. Save as above and other than the share option scheme described in the paragraph titled "Share Option Scheme" above and in note 20 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at 31 December 2013.

Purchase, sale or redemption of the Company's listed securities

On 11 December 2013, the Company placed a total of 75,000,000 ordinary shares to not less than six professional, institutional or other investors who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at HK$5.10 per ordinary share. The market price on 3 December 2013, being the last trading day prior to signing of the relevant Placing Agreement, is HK$5.45 per ordinary share. The aggregate nominal value of the ordinary shares placed is US$750. The aggregate gross and net proceeds (after deduction of the commissions, taxes and other expenses relating to the placing) from the placing were approximately HK$382.5 million and approximately HK$376.7million, respectively. The Company utilised the net proceeds from the placing for repayment of existing debt.

Save as above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Employment and emolument policies

The Group had 7,121 employees as at 31 December 2013, as compared to 9,048 employees as at 31 December 2012. The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence. The emoluments payable to the directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director should determine his or her own remuneration.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 28 to the consolidated financial statements on pages 113 to 115 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentives for Directors and eligible employees. Details of the schemes are set out under the paragraph "Share Option Schemes" of this report and in note 20 to the financial statements on pages 103 to 104 of this annual report.

Retirement benefits scheme

The Group has participated in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The Group is also required to make certain contributions under the scheme.

Major customers and suppliers

In the year ended 31 December 2013, sales to the Group's five largest customers accounted for less than 20% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 20% of the total purchases for the year.

Banking facilities and other borrowings

Save as disclosed below, the Directors are not aware of any circumstances which would be required to disclose herein pursuant to the requirements under Rule 13.21 of the Hong Kong Listing Rules.

- 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 date 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 relevant 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 31 December 2013, the outstanding amount owed by the Company under the First Facility Agreements and the Second Facility Agreement was US$84,000,000 and US$93,000,000, respectively.

As disclosed in the section below headed "Connected transactions" in this report, the Company acquired the entire issued share capital of China Huiyuan Industry Holding Limited ("Target Company") in November 2013 from China Huiyuan Holdings, a controlling shareholder indirect wholly owned by Mr. Zhu Xinli. Upon completion of the Acquisition, the Target Company together with its subsidiaries including China Huiyuan Industry Limited ("HK Sub") became a member of the Group.

The HK Sub as borrower entered into the Facility Agreement (the "Facility Agreement") with a bank (the "Lender") on 19 June 2013 pursuant to which a term loan of US$196 million (equivalent to approximately HK$1,521 million) (the "Restructuring Facility") has been granted to and fully drawn down by the HK Sub. According to the Restructuring Facility Agreement, 30% of the Loan must be repaid 24 months after the Loan is drawn down, and the balance 36 months after the Loan is drawn down. The applicable interest rate is LIBOR plus 3.80% per annum. On 16 January 2014, the Company assumed all rights, liabilities and obligations of the HK Sub under the Restructuring Facility Agreement and became the borrower upon entering into a novation deed.

In order to support the Restructuring Facility, (1) Mr. Zhu Xinli has provided a personal guarantee to the Lender guaranteeing the obligations of the borrower (the "Borrower") under the Facility Agreement (the "Personal Guarantee"); (2) China Hui Yuan Holdings, the immediate holding company of the Company and an indirect wholly owned subsidiary of Mr. Zhu Xinli, has entered into a share mortgage (the "Share Mortgage"), under which it has charged certain of its shares in the Company (including the ordinary shares and convertible preference shares in the Company) as security for the obligations of the Borrower, Mr. Zhu Xinli and itself under the Finance Documents (as defined below); and (3) China Hui Yuan Holdings has provided a corporate guarantee to the Lender guaranteeing the obligations of the Borrower, Mr. Zhu and itself under the Finance Documents (the "Corporate Guarantee", together with the Facility Agreement, the Personal Guarantee and the Share Mortgage, the "Finance Documents").

Pursuant to the Facility Agreement, in the event of certain actions or inaction by the controlling shareholder of the Company including, among others, the controlling shareholder ceasing to own directly or indirectly at least 41.89% of the issued share capital of the Company or ceasing to control the management and business of the Group, the Security Ratio (as defined in the Facility Agreement) exceeding a certain percentage for more than five (5) days and the Personal Guarantee, the Corporate Guarantee or Share Mortgage being or becoming invalid or unenforceable, a default may arise and the Lender may require immediate payment in full of the Loan. Details of such events has been disclosed in the section headed "the Restructuring Facility — Repayment in the event of certain actions or inaction by controlling shareholder" on pages 20 to 22 of the Company's circular dated 21 June 2013.

As at 31 December 2013, the outstanding amount owed by the Company under the Restructuring Facility Agreement was US$147 million.

Further details of the bank facilities and borrowings of the Company as at 31 December 2013 are set out in note 22 to the consolidated financial statements on pages 106 to 107 of this annual report.

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 the shareholders of the Company.

The Company has adopted the code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the "Old Code") since its listing on the Hong Kong Stock Exchange in 2007, and has, since 1 April 2012, adopted the revised code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the "New Code", together with the "Old Code", the "Governance 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 practice practices.

Save as disclosed in the Corporate Governance Report, the Company has complied with the Governance Code in the year ended 31 December 2013. Information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 36 to 47 of this annual report.

Model Code for Securities Transactions

The Company has adopted 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 during the year ended 31 December 2013. Details of our Company's compliance with the Model Code are set out in the Corporate Governance Report on pages 36 to 47 of this annual report.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at 31 December 2013, the Company has maintained sufficient public float as required under the Hong Kong Listing Rules.

Connected transactions

Connected Transactions

On 23 May 2013, the Company, China Huiyuan Holdings and Mr. Zhu Xinli entered into the Acquisition Agreement (the "Acquisition Agreement"), pursuant to which the Company has conditionally agreed to purchase from China Huiyuan Holdings the entire issued share capital of the Target Company (the "Acquisition"), at a total consideration of approximately HK$4,939 million (equivalent to approximately RMB3,935 million), of which approximately HK$1,521 million is related to the liabilities of HK Sub to be assumed by the Company with the balance of the consideration of approximately HK$3,418 million to be settled by the allotment and issue of a total of 447,322,020 New Ordinary Shares at a price of HK$3.10 per New Ordinary Share and a total of 655,326,877 Convertible Preference Shares at a price of HK$3.10 per Convertible Preference Share.

China Huiyuan Holdings is a controlling shareholder of the Company and indirect wholly owned by Mr. Zhu Xinli, the chairman and an executive director of the Company, therefore, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively, and is therefore subject to the requirements for reporting, announcement and approval of independent shareholders under the Listing Rules. The Company completed the Acquisition pursuant to the terms of the Acquisition Agreement on 21 October 2013. Upon completion of the Acquisition, the Group expanded its business to include production and sale of fruit juice concentrates and purees.

In connection with the Acquisition, on 23 May 2013, the parties to the deed of non-competition (the "Non-competition Deed") entered into on 3 February 2007 in favour of the Company, i.e., the Company, Mr. Zhu, China Huiyuan Holdings and Huiyuan Holdings entered into a deed of amendment, effective upon the completion of the Acquisition, to the effect that the definition of the Restricted Business under the Non-competition Deed will be amended to cover the production and sale of fruit juice concentrates and purees and the scope of the Retained Business shall be reduced correspondingly.

Continuing Connected Transactions

The Group entered into the raw materials purchase and recyclable containers sales agreement (the "Continuing Connected Transactions Agreement") with certain companies controlled by Mr. Zhu Xinli, the ultimate controlling shareholder of the Group in connection with listing of the Shares of the Company on the Hong Kong Stock Exchange in 2007. Such agreement was subsequently supplemented and revised in 2008 and 2009 due to the increased demand of the Group.

In view of the long-established relationship between the Group and such parties under the Continuing Connected Transactions Agreement, the reliability of a steady supply of good quality production materials from such parties and the ease of delivery and transportation offered by them, the Company and each of the parties under the Continuing Connected Transactions Agreement entered into another raw materials purchase and recyclable containers sales agreement on 19 November 2010 (the "2010 Supply & Sale Agreement"), upon expiry of such agreement, to renew (a) the purchase of raw materials from; and (b) the sale of used and recyclable containers to them and their respective associates and to provide new caps for such transactions in respect of three years ending 31 December 2011, 2012 and 2013, respectively, which have been approved by the shareholders at the extraordinary general meeting of the Company held on 16 December 2010.

In anticipating the completion of the Acquisition, on 23 May 2013, the Company and Beijing Huiyuan Beverage entered into the Raw Materials Purchase and Recyclable Containers Sales Agreement (the "2013 Supply and Sale Agreement") for the members of the Group to purchase fructose and agricultural products from and to sell used and recyclable containers to Beijing Huiyuan Beverage and its associates. This agreement is conditional upon completion of the Acquisition. As Beijing Huiyuan Beverage, being an associate of Mr. Zhu Xinli, is a connected person of the Company, the transactions contemplated under the Raw Materials Purchase and Recyclable Containers Sales Agreement therefore constitute continuing connected transactions for the Company subject to reporting, announcement, and annual review requirements under the Listing Rules, but not subject to the independent shareholders' approval. Upon completion the Acquisition, the 2010 Supply & Sale Agreement terminated.

The aggregate amount of each of the raw materials purchase and the recyclable container sales for the year ended 31 December 2013 and the respective annual caps under the 2010 Supply & Sale Agreement and the 2013 Supply & Sale Agreement are set out below:

	1 January 2013 to 20 October 2013	
	Aggregate Amount (RMB'000)	Annual Cap (RMB'000)
Purchase of raw materials	459,695	3,130,000
Sale of used and recyclable containers	27,282	92,000

	21 October 2013 to 31 December 2013	
	Aggregate Amount (RMB'000)	Annual Cap (RMB'000)
Purchase of raw materials	45,158	119,861
Sale of used and recyclable containers	3,928	10,004

Annual review of continuing connected transaction

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) in accordance with the Group's pricing policies for transactions involving the provision of goods by the Group;

(3) on normal commercial terms; and

(4) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and reported their conclusions to the Board that the transactions:

(1) have been approved by the Board;

(2) have been in accordance with the pricing policies of the Group for transactions involving the provision of goods of the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions during the year; and

(4) have not exceeded the annual caps disclosed in the announcements of the Company dated 19 November 2010 and 23 May 2013.

Related party transactions

During the year ended 31 December 2013, the Group has entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of such related party transactions are set out in note 39 to the consolidated financial statements on pages 126 to 127 of this annual report. These related party transactions included non-exempt continuing connected transactions between the Group and companies controlled by Mr. Zhu Xinli, the Chairman and controlling shareholder of the Company, as disclosed in the paragraph headed "Connected Transaction" in this report.

Non-competition Deed

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, (i) the compliance by Mr. Zhu Xinli, the controlling shareholder of the Company, and his associates with the non-competition undertakings under the Non-competition Deed; and (ii) all the decisions taken in relation to whether to exercise the options pursuant to the Non-competition Deed and whether to pursue any business opportunities which may be referred or offered to the Company by Mr. Zhu Xinli and his associates pursuant to the Non-competition Deed. The independent non-executive Directors have conducted such review for the year ended 31 December 2013 and are satisfied that the Non-competition Deed has been fully complied.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2013 has been reviewed by the Financial Management and Audit Committee. Information of the work of the Financial Management and Audit Committee and its composition are set out in the Corporate Governance Report on pages 41 to 42 of this annual report.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers.

By order of the Board
ZHU Xinli
Chairman

Beijing, 18 March 2014

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practice for enhancing accountability and transparency of the Company to its investors and shareholders.

The Company has adopted the code provisions set out in the Appendix 14 of the Hong Kong Listing Rules (the "Old Code") since its listing on the Hong Kong Stock Exchange in 2007. On 1 April 2012, amendments to the Old Code (the "New Code", together with the "Old Code", the "Governance Code") came into force. The Company has then adopted the Governance Code as currently in force at the date of this report as its own code to govern its corporate governance practices.

During the year ended 31 December 2013, the Company has complied with the code provisions set out in the Governance Code except the deviations as set out below in this report.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 of the Hong Kong Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the directors of the Company ("Director(s)"), the Company confirms that the Directors have complied with the required standards set out in the Model Code during the year ended 31 December 2013.

Board of Directors

Board responsibilities

The Board is responsible for the overall management of the Company, including establishing and overseeing the Company's strategic development, business plans, financial objectives, capital investment proposals and assumes the responsibilities of corporate governance of the Company. The Board gave their input and considered the priorities and initiatives, aiming at developing a sustainable plan for the Company to generate and preserve its long-term corporate values and to achieve its business strategies and objectives.

The Board may from time to time delegate all or any of its powers that it may think fit to a Director or member of senior management of the Company. The Board has formulated clear and specific rules and policies on such delegation of power to facilitate efficient operation of the Company and is supported by three board committees, which are the Remuneration and Nomination Committee, the Financial Management and Audit Committee, and the Strategy and Development Committee (collectively, the "Board Committees").

The Board has also regularly reviewed the contribution of each Director to performing his/her responsibilities to the Company and whether the Director is spending sufficient time performing them. The Directors are also required to inform the Board of any change to their significant commitments on a timely basis.

The Company has arranged for appropriate insurance for all Directors in respect of legal actions against the Directors arising out of corporate activities.

Board members

The Board, as at the date of this report, consists of eight directors, including three executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors:

Mr. ZHU Xinli *(Chairman)*
Mr. JIANG Xu
Mr. Cui Xianguo[1]

Non-executive Director:

Mr. Andrew Y. YAN

Independent non-executive Directors:

Mr. LEUNG Man Kit
Mr. SONG Quanhou
Mr. ZHAO Chen
Ms. ZHAO Yali

Note:

1. Mr. CUI Xianguo was appointed as an executive Director effective immediately after departure of Mr. LEE Wen-chieh immediately following the conclusion of the board meeting of the Company on 18 March 2014.

There is no financial, business, family or other material or relevant relationships among the Directors of the Company.

An updated list of the Directors is maintained on our Company's website and the Stock Exchange's website. The details of the Directors' biographical information are contained in the section headed "Directors and Senior Management" of this annual report.

The Company has adopted a Board Diversity Policy as required by the Listing Rules. The Company recognizes and embraces the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. The Remuneration and Nomination Committee will evaluate the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates will be based on a range of diversity experiences, including but not limited to age, gender, cultural and educational background, and merit and contribution that the selected candidates will bring to the Board.

Independent non-executive Directors

More than one-third of the members of the Board are independent non-executive directors. Mr. Leung Man Kit, an independent non-executive Director, has appropriate accounting/financial management expertise in compliance with Rule 3.10 of the Hong Kong Listing Rules. The Company has received an annual confirmation from each of the independent non-executive Directors on their respective independence pursuant to Rule 3.13 of the Hong Kong Listing Rules and considers that each of them to be independent.

Appointment, re-election and removal of Directors

All of the non-executive and independent non-executive Directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company and any applicable laws, and subject to retirement by rotation at the annual general meeting ("AGM") of the Company once every three years in accordance with the articles of association Independent non-executive Directors serving up to the maximum term of 9 years is only eligible for reappointment by separate shareholders' resolution. None of the independent non-executive Directors has served more than 9 years.

During the year ended 31 December 2013, in connection with appointment of Mr. Daniel Saw as the Chief Executive Officer of the Company effective from 15 July 2013, Mr. Zhu Xinli, the Chairman and executive director, stepped down from his position as President of the Company and remains as executive director and Chairman. Following the aforementioned change, the roles of chairman and chief executive of the Company are separated in accordance with Code Provision A.2.1 of the Corporate Governance Code..

In accordance with the Company's articles of association, Mr. Leung Man Kit, Mr. Zhao Chen and Ms. Zhao Yali will retire from office as Director by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Board meetings

Notices for regular board meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the Directors can put forward his/her proposed items into the agenda. The agenda and the relevant board papers are then circulated to the Directors 3 days before a Board meeting to enable them to make informed decisions at the meeting. Drafts of the Board minutes and Board Committee meeting minutes are circulated to the Directors and the relevant Board Committee members respectively for their review before finalization. The final versions of these minutes are kept by the company secretary of the Company and are available for inspection by the Board and auditor of the Company.

Attendance

Code Provision A.1.1 of the Governance Code stipulates that the board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2013, the Board convened a total of 9 Board meetings, 2 Remuneration and Nomination Committee meetings, 5 Financial Management and Audit Committee meetings, and 1 Strategy and Development Committee meeting, based on the need of the operation and business development of the Company. Besides, the Directors also attended the 2013 AGM and an extraordinary general meeting held on 12 July 2013 to understand the views of the shareholders.

Details of attendance are as follows:

Name[(1)]	Board meetings	Board Committee meetings: Remuneration and Nomination Committee	Board Committee meetings: Financial Management and Audit Committee	Board Committee meetings: Strategy and Development Committee	2013 AGM
	(Times of attendance in person/Times of meetings)[(1)]				
Executive Directors:					
ZHU Xinli *(Chairman of the Board)*	5/9	N/A	N/A	1/1	1/1
JIANG Xu	9/9	N/A	N/A	N/A	1/1
LEE Wen-chieh	9/9	N/A	N/A	N/A	1/1
Non-executive Director:					
Andrew Y. YAN	9/9	2/2	N/A	1/1	1/1
Independent non-executive Director:					
LEUNG Man Kit	9/9	2/2	5/5	N/A	1/1
SONG Quanhou	9/9	2/2	5/5	N/A	1/1
ZHAO Chen	7/9	N/A	3/5	N/A	1/1
ZHAO Yali	8/9	N/A	N/A	0/1	1/1

Note:

(1) Directors who did not attend the meeting(s) in person have his/her proxy to attend and vote on his/her behalf at the meeting(s). Subject to the Company's articles of association and the applicable laws of Cayman Islands, the attendance by a director at a Board meeting by electronic means is counted as physical attendance at the meeting.

The Chairman and the Chief Executive Officer

The Code Provision A.2.1 of the Governance Code provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

As disclosed above, Mr. Daniel Saw was appointed as the Chief Executive Officer of the Company with effect from 15 July 2013. In the meantime, Mr. Zhu Xinli, the Chairman and executive director, stepped down from his position as the president of the Company and remains as executive director and chairman. Although for the period of 1 January 2013 to 14 July 2013, the positions of the chairman of the Board and the president (i.e., the chief executive) of the Company are held by Mr. Zhu Xinli, that deviated from Code Provision A.2.1 of the Governance Code, Mr. Zhu being the founder of the Group and with considerable and extensive experience in the juice and beverage industry and in enterprise operation and management in general, have made invaluable contribution to the Company. Following the aforementioned change, the roles of chairman and chief executive are separated in line with the requirements under Code Provision A.2.1 of the Corporate Governance Code.

Mr. Zhu, as the chairman of the Board, is responsible for ensuring that the Directors receive adequate information in a timely manner, good corporate governance practices and procedures are established, all Directors make full and active contribution to the Board's affairs, and the Board acts in the interests of the Company and its shareholders.

Under the leadership of Mr. Zhu, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Appropriate steps are taken to provide effective communication between the shareholders and the Board. A culture of openness and constructive relations among Directors are promoted within the Board.

In the year ended 31 December 2013, the chairman of the Board has met with the independent non-executive Directors (without the presence of the executive Directors) to discuss, and obtain independent views of, the Board's affairs.

Board Committees

The Board is supported by three Board Committees, namely the Remuneration and Nomination Committee, the Financial Management and Audit Committee, and the Strategy and Development Committee. The Board Committees are formed with specific written terms of reference which deal clearly with their authority and duties. The Company has provided the Board Committees with sufficient resources and the Board Committees may seek independent professional advice as and when required at the Company's expense.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee currently consists of two independent non-executive Directors, namely, Mr. Song Quanhou (the chairman) and Mr. Leung Man Kit, and one non-executive Director, Mr. Andrew Y. Yan.

The Remuneration and Nomination Committee is responsible for nomination-related duties, including, without limitation, reviewing the structure, size and composition of the Board, making recommendations of suitable candidates to the Board for directorships, assessing independence of the independent non-executive Directors, and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the chief executive).

The Nomination and Remuneration Committee is also responsible for remuneration-related duties, including, without limitation, making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management as well as on the specific remuneration packages of the individual executive Directors and senior management, establishing a formal and transparent procedure for development remuneration policy, and ensuring no Director or his/her associate is involved in deciding his/her own remuneration.

At the two meetings held during the year ended 31 December 2013, the Remuneration and Nomination Committee has reviewed the Directors' fees in terms of the corporate and individual performance, the employment terms of the senior management team within the Group, and the employee share incentives to be granted.

The term of reference of the Remuneration and Nomination Committee is available on the Company's website and the Hong Kong Stock Exchange's website.

Financial Management and Audit Committee

The Financial Management and Audit Committee currently consists of three independent non-executive directors, namely Mr. Leung Man Kit, Mr. Song Quanhou and Mr. Zhao Chen. Mr. Leung Man Kit who has the relevant accounting/financial management expertise, is the chairman of the Financial Management and Audit Committee.

The primary functions of the Financial Management and Audit Committee are to review and supervise the financial reporting, financial control, internal control and risk management systems of the Company, nominate and monitor external auditor, and provide advice and recommendations relating to financial and accounting matters to the Board.

During the year ended 31 December 2013, the Financial Management and Audit Committee has convened five meetings and completed the following major work:

(a) met with the Company's external auditor to discuss the audit procedures and accounting issues;

(b) reviewed and discussed the audited annual results for the year ended 31 December 2012 and the unaudited interim results for the six months ended 30 June 2013 with the senior management of the Company;

(c) reviewed the accounting policies adopted by the Group and other issues related to the Company's accounting practice;

(d) supervised the internal audit of the Group;

(e) reviewed the internal control and financial reporting matters of the Group; and

(f) advised on material events or draw the attention of management on related risks.

In addition, the Financial Management and Audit Committee has reviewed arrangements by which employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and it ensures that proper arrangements are in place for fair and independent investigation of such concerns and appropriate follow-up actions.

The term of reference of the Financial Management and Audit Committee is available on the Company's website and the Stock Exchange's website.

Strategy and Development Committee

The Strategy and Development Committee consists of an executive director, an independent nonexecutive director and a non-executive director, namely Mr. Zhu Xinli, Mr. Andrew Y. Yan, and Ms. Zhao Yali, respectively. Mr. Zhu is the chairman of the Strategy and Development Committee.

The primary functions of the Strategy and Development Committee are to:

(a) review and formulate the strategic positioning and future development plans of the Company and make recommendations to the Board regarding any proposed changes;

(b) review market development trends and formulate operating strategies of the Company and make recommendations to the Board regarding any proposed changes; and

(c) review significant transactions including material projects, business expansion, capital expenditure, asset restructuring and operation and make recommendations to the Board regarding any proposed changes.

During the one meeting held during the year ended 31 December 2013, the Strategy and Development Committee has reviewed the strategic and development plan of the Group.

Corporate governance functions

The corporate governance functions have been reserved to the Board. During the year ended 31 December 2013, the Board has performed the following work:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the training and professional development of Directors and senior management;

(c) reviewed and monitored the Company's compliance with the Governance Code and other legal and regulatory requirements; and

(d) reviewed and monitored the code of conduct and compliance manual applicable to the Directors and employees of the Company.

Training for Directors

The Company has regularly provided the Directors with information of relevant training courses. New Directors, upon appointment, will also be provided with a comprehensive, formal and tailored introduction. The Directors have provided the Company with a record of their training received in 2013. A summary of the Directors' participation in continuous professional training for the year ended 31 December 2013 is as follows:

	Attending briefings/ seminars/conferences	Reading materials/ regulatory updates/ management monthly updates	Paying site visit
Executive directors			
ZHU Xinli	✓	✓	✓
JIANG Xu	✓	✓	✓
LI Wen-chieh	✓	✓	✓
Non-executive directors			
Andrew Y. YAN	✓	✓	✓
Independent directors			
LEUNG Man Kit	✓	✓	✓
SONG Quanhou	✓	✓	✓
ZHAO Chen	✓	✓	✓
ZHAO Yali	✓	✓	

Supply of and access to information

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions. The chairmen of the Board Committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2013 AGM and will be invited to attend our forthcoming AGM to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

The constitutional documents of the Company are available at the Company's website and the Stock Exchange's website. During the year ended 31 December 2013, in connection with the acquisition of the entire issued share capital of China Huiyuan Industry Holding Limited, the restricted non-voting convertible preference shares of US$0.00001 each (the "Convertible Preference Shares") were created and the memorandum and articles of association of the Company were amended to incorporate the terms of the Convertible Preference Shares upon the approval of the shareholder at the extraordinary general meeting held on 12 July 2013. Other than disclosed above, there is no significant change to the constitutional documents of the Company.

Remuneration of Senior Management

The remuneration policy of the senior management has been recommended, reviewed and approved by the Remuneration and Nomination Committee of the Company. The remuneration of the senior management whose names appear in the section headed "Directors and Senior Management" in this annual report for the year ended 31 December 2013 has been disclosed in note 28 to the consolidated financial statements on page 113 of this annual report.

Accountability and audit

Auditor's remuneration

The remuneration payable to the Company's auditor, PricewaterhouseCoopers, during the year ended 31 December 2013 in relation to non-audit assurance services and audit services are RMB2,755,000 and RMB5,639,000, respectively.

Directors' responsibilities for financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company, presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects, and for ensuring that the financial statements are prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's statement

The statement of the Company's independent external auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended 31 December 2013 is set out on pages 53 to 126 of this annual report.

Internal control and risk management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard the shareholders' interest. The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Financial Management and Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Financial Management and Audit Committee works with the Group's internal audit department to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Financial Management and Audit Committee. The Group's internal audit department reports its findings and recommendations for any corrective action required to the Financial Management and Audit Committee. The Financial Management and Audit Committee reviews the reports submitted by the internal audit department, and the issues on the internal control system of the Group are discussed and evaluated by the Board every year.

During the year ended 31 December 2013, the internal audit department has conducted an examination on various material control aspects including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Financial Management and Audit Committee for review and the findings and recommendations were discussed at the committee meetings. Matters including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and reporting functions were reviewed.

Management Function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team of the Company holds meetings regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management properly implement the directions and strategies set by the Board.

The senior management of the Company has provided the Board with sufficient explanation and information to enable the Board to make an informed assessment of financial and other information put before it for approval. They have also provided monthly updates, including the management accounts and management updates, which gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to the Directors to enable them to discharge their duties.

Company Secretary

Ms. Ma Sau Kuen Gloria served as the company secretary of the Company during the year ended 31 December 2013. Ms. Ma is a director and head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma possesses the professional qualifications that the Stock Exchange has considered acceptable and has taken a total of 15 hours of professional training during the year ended 31 December 2013. Ms. Ma resigned as the company secretary of the Company with effect from 31 December 2013.

Ms. Mok Man Wai was appointed as the company secretary of the Company on 31 December 2013.

Ms. Mok is a director of KCS Hong Kong Limited, she has over 18 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the sole company secretary and joint company secretary of various publicly listed companies.

Communications with shareholders and investor relations

The Board values the importance of effective communications with the shareholders and the Company is dedicated to maintaining an open dialogue with the investment community to ensure thorough understanding of our Company and our business as well as strategies.

The Company has established a shareholder communication policy to ensure effective communication with its shareholders. Besides, shareholders of the Company can send their written enquiries to the Board at Huiyuan Road, Beixiaoying Town, Shunyi District, Beijing, PRC (Attention: the Board of Directors).

Pursuant to the articles of association of the Company, two or more shareholders of the Company, holding not less than one-tenth of the paid-up capital of the Company, have the right to convene an extraordinary general meeting at all times by written requisition to the Company. The shareholders can propose a candidate for election as a Director at general meeting by lodging a notice to the secretary of the Company within 7 days prior to the date of such meeting. The Company has also ensured that its shareholders have the rights to raise questions at general meetings. There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out above.

The 2013 AGM was an important occasion where the Board and the shareholders could communicate directly with each other. The chairmen of the Board and the Board Committees and the external auditor were present at the 2013 AGM to communicate with the shareholders. The 2013 AGM circular distributed to all shareholders before the 2013 AGM contained information regarding the proposed resolutions. Mr. Zhu Xinli, the chairman and executive director, and Mr. Leung Man Kit, an independent non-executive director, also attended the extraordinary general meeting held on 12 July 2013 for approving the acquisition of the entire issued share capital of China Huiyuan Industry Holding Limited from China Hui Yuan Juice Holdings Co., Ltd., a controlling shareholder indirect wholly owned by Mr. Zhu Xinli, and exchanged views with the shareholders on the matters considered at the meeting. In addition, the Company has announced its annual and interim results in a timely manner in accordance with the requirements of the Hong Kong Listing Rules.

For future investor relations, the Company will strive to strengthen investor relationships and maintain transparency of the operating strategies, financial performance and development prospects of the Company.

By order of the Board

ZHU Xinli
Chairman

Beijing, 18 March 2014

Directors and Senior Management

Executive Directors

Mr. ZHU Xinli (朱新禮)

aged 62, is an executive director of the Company and the chairman of the Board and the founder of the Group. Mr. Zhu is responsible for the overall business strategies, investment project decision and setting the development direction. He is the father of Ms. Zhu Shengqin, a vice president of the Group. He has 21 years' experience in juice and beverage industry and has more than 30 years' experience in enterprise operation and management. Before the establishment of the Group in 1992, he had worked as the Deputy Director of the Foreign Economic and Trade Department of Yiyuan County, Shandong Province. He is an Executive Deputy Chairman of the Board of the Association of Chinese Beverage Industry and the Deputy Director of its Juice Division. He received the Award for Prominent Contribution to Chinese Beverage Industry in 2003, the honor of National Labor Model in 2005 and the CCTV Annual Economic Figures, Agricultural Figures in China's 30-year Reform and Opening up and Top Ten Outstanding Leaders in Light Industry during 30-year Reform in 2008. He was the Executive Chairman of China Entrepreneur Club in 2013. He has pursued CEO courses in China Europe International Business School, Cheung Kong Graduate School of Business and Stanford College. He has been engaged as a visiting professor by China Agricultural University, Nankai University and the Chinese Academy of Agricultural Sciences since 2001. He was appointed as the chairman of the Broad and a director of the Company in September 2006. Mr. Zhu is the director and controlling shareholder of China Hui Yuan Holdings (Cayman), the controlling shareholder of the company.

Mr. JIANG Xu (江旭)

aged 52, is an executive director of the Board. He has 16 years' experience in juice and beverage production, sales and marketing. Since joining us in March 1997, he had held various positions, including the general manager of Beijing Huiyuan Beverage & Food Group Co., Ltd., the general manager of our sales in North East China region and the vice president of Beijing Huiyuan Beverage & Food Group Co., Ltd.. He has resigned from all directorships in Beijing Huiyuan Beverage & Food Group Co., Ltd. and the companies controlled by it. He was appointed as a director of the Company in September 2006.

Mr. LEE Wen-chieh (李文杰)

aged 54, is an executive directorof the Board. He holds a Master degree in Business Administration. He has 22 years' experience in sales, marketing and operation in beverage industry. Before joining the Group in November 2009, he worked with Uni-President Enterprises Corporation from 1985 to 2005 serving as, among others, business unit manager and general manager at its various subsidiaries. He was a sales and marketing director of the Group from 2005 to 2006. During the period from 2006 to 2009, he was the general manager of Beijing Uni-President Food Co., Ltd. and Foshan Sanshui Jianlibao Trading Co., Ltd. He was appointed as a director of the Company in March 2010.

Non-executive Directors

Mr. Andrew Y. YAN (閻焱)

Mr Andrew Yan is the Founding Managing Partner of SAIF Partners. Prior to joining SAIF, he was the Managing Director and Head of the Hong Kong office of the Emerging Markets Partnership from 1994 until 2001. From 1989 to 1994, he worked in the World Bank, the Hudson Institute and US Sprint Co. as an Economist, Research Fellow and Director for Asia respectively in Washington, DC. From 1982 to 1984, he was the Chief Engineer at the Jianghuai Airplane Corp.

Mr. Yan received a bachelor's degree in engineering from Nanjing Aeronautic Institute in 1982. He studied in the Master Program in Department of Sociology of Peking University from 1984 to 1986 and received a Master of Arts' degree from Princeton University in International Political Economy in 1989. Mr. Yan also studied advanced finance & accounting courses at the Wharton Business School in 1995.

Currently, Mr Yan is an Independent Non-executive Director of China Petroleum & Chemical Corporation, China Mengniu Dairy Company Limited China Resources Land Ltd, and Fosun International Ltd; Non-executive Director of Guodian Technology & Environment Group Corporation Limited, Digital China Holdings Ltd, China Huiyuan Juice Group Limited, eSun Holdings Limited and MOBI Development Co., Ltd; Independent Director of Giant Interactive Group Inc.; and Director of Acorn International Inc., ATA Inc. (all 14 companies are listed in the Hong Kong Stock Exchange, NYSE, NASDAQ, London Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange). Mr. Yan was appointed as a non-executive director of the Company in July 2010.

Independent Non-executive Directors

Mr. LEUNG Man Kit (梁民傑)

aged 60, is an independent non-executive director of the Company. He obtained a Bachelor's Degree in Social Science from the University of Hong Kong in 1977. Mr. Leung has over 30 years of experience in project finance and corporate finance. Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (previously known as Crosby Securities (HongKong) Limited), Swiss Bank Corporation, Hong Kong Branch, and Optima Capital Limited (previously known as Ke Capital (Hong Kong) Limited). Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung has been a Responsible Officer licensed with the Securities and Futures Commission on the regulated activities of Type 6 since December 2004. Mr. Leung was appointed Deputy Chief Executive Officer of Chanceton Capital Partners Limited in March 2011 and was nominated an executive director of Chanceton Financial Group Limited (HKSE stock code: 8020), a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited on 21 September 2011. He was appointed as an independent non-executive director of the Company in June 2012.

Directors and Senior Management (Continued)

On 28 March 2014, Mr. Leung was appointed Independent Non-executive Director and Chairman of Audit Committee of Optics Valley Union Holding Company Limited, a company listed on the Stock Exchange of Hong Kong ("Stock Code: — 798"). Optics Valley is engaged primarily in the development and operation of large scale business parks with distinctive industry themes.

Mr. SONG Quanhou (宋全厚)

aged 52, is an independent non-executive director of the Company. He holds a Master degree in food engineering from the former China National Academy of Light Industry and Science. He is a professor-grade senior engineer. He currently acts as a deputy director of China National Research Institute of Food and Fermentation Industries (CNRIFFI). He has been actively involved in preparing, implementing and enforcing various nationwide food and beverage quality control and testing standards since 1995 and has extensive knowledge and experience in China's food and beverage industry. He has also been actively involved in or responsible for various research projects in food and beverage quality control and testing sponsored by the PRC government, international organizations or enterprises. He was appointed as an independent non-executive director of the Company in January 2007.

Mr. ZHAO Chen (趙琛)

aged 47, is an independent non-executive director of the Company. He graduated from History Faculty in Peking University and received a MPA from the School of Government of Peking University. Currently, he is the vice president of China Association of Policy and Science of the State Council, Deputy Director of the Research Institute of Contemporary Corporate Culture of Peking University, vice chairman of Arts Work Committee of China Radio and Television Association, vice president of the State Innovation Promotion Committee (國家創新推廣委員會) and a member of the Economic Committee of the Revolutionary Committee of the Chinese Kuomintang (中國國民黨革命委員會中央委員會經濟委員會). In 2006, he was named as one of the "Top Ten Management Talents in the PRC", and was awarded Human Resources Talent in 2006. He was named in 2007 as one of the "Top Ten Talents of Education in the PRC", and was named the "Man of the 30 Years of PRC Reformation" and was recorded in the Who's Who (人物錄) in 2008. As an expert and scholar of the contemporary culture, Mr. Zhao had contributed much innovations and practices in management. He was appointed as an independent non-executive director of the Company in June 2012.

Ms. ZHAO Yali (趙亞利)

aged 56, is an independent non-executive director of the Company. She holds a Bachelor degree from Tianjin Light Industry College and is a professor-grade senior engineer. She is the head and executive committee member of China Light Industry Federation. Her current titles in various associations include the chairman of China Beverage Industry Association and the chairman of its juice sub-committee, the member of Examination Committee on National Standards of Food Safety Examination Committee and the chairman of Technical Committee 472 on Beverage of Standardization Administration of China. In addition, she was an independent director of Guotou Zhonglu Juice Corporation, a company listed on the Shanghai Stock Exchange. She was appointed as an independent non-executive director of the Company in September 2006.

Senior Management

Mr. ZHU Xinli (朱新禮)

is the chairman of the Board. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. Daniel SAW (蘇盈福)

aged 55, is the Chief Executive Officer of the Company. He joined the Company in July 2013. He is a seasoned senior executive, and has held senior leadership roles in Fortune 500 MNC's and private Chinese enterprises. He has over 30 years' management and practical experience in global FMCG industry with various brands in different regions and markets. Mr. Saw has proven leadership skills in management, planning, development and restructuring of large business organizations. He has a strong track record in developing relationships with government bodies, as well as in managing franchise businesses and JV partners. He has held senior management positions in the Asia Pacific and Greater China region in various multinational consumer goods enterprises such as Campbell Soup, Lee Kum Kee, Philip Morris, Kraft Foods and Cadbury. He has worked across the region in mainland China, Hong Kong, Taiwan, Singapore, Malaysia, India, Australia, Pacific Region, etc.

Ms. ZHU Shengqin (朱聖琴)

aged 38, is a vice president of the Group. She holds an EMBA Degree from Cheung Kong Graduate School of Business and is studying financial EMBA programs in PBC School of Finance, Tsinghua University. At present, she leads the office of the Board of Directors and is responsible for the Company's overall investment and financing strategies, investor relations, internal control and compliance, as well as development of long-term corporate strategies. Since joining the Company in 1996, Ms. Zhu has held various positions of the Company, including marketing manager, investment vice president, director of the office of the Board, leader of operation teams, and a vice president of the Group. Ms. Zhu has led the Company in various significant capital markets transactions such as issue of new shares, acquisition of upstream assets, introduction of strategic investors and listing of the Company. Ms. Zhu also has extensive experience in corporate operation, brand marketing and frontline production management.

Mr. CUI Xianguo (崔現國)

aged 46, is a vice president of the Group and is responsible for production operation and management. He joined the Company in May 2002 and held various important management positions of the Company, including the general manager of production plants, the general manager of sales region, an assistant to president and a vice president etc. He has 27 years' experience in the operation and management of production, sales and finance. Mr. Cui graduated from Shandong University.

Mr. Leo MENG (孟曉強)

aged 41, is a vice president of the Group and is responsible for the overall sales and distribution management of the Group. Mr. Meng joined the Company in October 2013, and has over 17 years' experience in the sales and marketing management in the fast-moving consumer goods sector. Prior to joining the Group, he was the general manager of Campbell Swire (Xiamen) Co., Limited, the national sales director of Lee Kum Kee (China) Corporation (李錦記 (中國) 公司), and had held various management positions related to marketing, sales, marketing and promotion and business development in various multi-national companies, such as Colgate-Palmolive (China) Co., Ltd., Philip Morris (China) Management Co. Ltd. and PepsiCo China. Mr. Meng graduated from the University of Science and Technology Beijing School of Management.

Mr. Jacky CHUNG (鍾嘉祺)

aged 50, is a vice president of the Group and is responsible for business planning and cross functional support. Mr. Chung joined the Company in September 2013. He has over 25 years' sales and distribution management experience in the fast-moving consumer goods sectors, and has extensive hand-on experiences in business operation planning and market development in greater China. Prior to joining the Group, Mr. Chung worked and held management positions in various multi-national companies, including P&G, Philip Morris, Lee Kum Kee Group, and Kimlan Foods. Mr. Chung graduated from the Chemistry Department of Chinese Cultural University, Taiwan (中國臺灣文化大學).

Mr. Xunyoung WANG (王順永)

aged 35, is a vice president of the Group with responsibilities in finance and investor relations. He joined the Company in 2012. Mr. Wang has over ten years of experience in finance and investing in China and across Asia. Prior to joining the group, he has served in investing roles at Johnson Electric Capital, TVG Capital Partners, and Providence Equity Asia. He began his career in investment banking at Goldman Sachs in Hong Kong. Mr. Wang holds a bachelor's degree in Business Administration from the University of California, Berkeley. He is CFA and CPA certified.

Ms. Lena YU (余琳娜)

aged 50, is a vice president of the Group and responsible for human resources. Ms. Yu joined the Company in October 2013. She has over 20 years' experience in human resources management in companies across different businesses and in different industries. Prior to joining the group, she held senior human resources management positions in Kraft Foods, GE, Philip Morris International and Amazon China. Ms. Yu graduated from Beijing Language and Culture University, and studied human resources management in China Europe International Business School.

Ms. MOK Ming Wai (莫明慧)

Ms. Mok Ming Wai is the company secretary of the Company. Ms. Mok is a director of KCS Hong Kong Limited, she has over 18 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the sole company secretary and joint company secretary of various publicly listed companies. Ms. Mok was appointed as the company secretary of the Company on 31 December 2013.

羅兵咸永道

Independent Auditor's Report
To the shareholders of China Huiyuan Juice Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Huiyuan Juice Group Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 55 to 60, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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Independent Auditor's Report (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March, 2014

Consolidated Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**1,123,894**	746,261
Property, plant and equipment	8	**6,968,560**	6,025,704
Intangible assets	9	**4,227,889**	438,433
Deferred income tax assets	11	**91,173**	90,927
Long-term prepayment	12	**98,555**	84,634
Investments in associates	13	**6,413**	13,745
Long-term receivable		**1,288**	91,483
Total non-current assets		**12,517,772**	7,491,187
Current assets			
Inventories	15	**1,325,267**	1,605,213
Trade and other receivables	14	**1,855,075**	1,426,155
Restricted cash	16	**577,785**	115,769
Cash and cash equivalents	17	**937,421**	521,127
Total current assets		**4,695,548**	3,668,264
Total assets		**17,213,320**	11,159,451
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**147**	115
Share premium	18	**6,006,880**	3,776,401
Convertible preference shares	18	**2,831,338**	—
Other reserves		**275,306**	248,410
Retained earnings		**1,462,875**	1,261,308
— Proposed final dividend	33	**—**	—
— Others		**1,462,875**	1,261,308
		10,576,546	5,286,234
Non-controlling interests in equity		**147,966**	—
Total equity		**10,724,512**	5,286,234

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**1,837,280**	1,175,398
Deferred government grants	23	**92,969**	103,927
Deferred income tax liabilities	11	**9,609**	—
Convertible Bonds	24	**—**	779,148
Total non-current liabilities		**1,939,858**	2,058,473
Current liabilities			
Trade and other payables	21	**1,675,734**	1,949,800
Convertible Bonds	24	**837,576**	—
Taxation payable		**76,694**	6,818
Deferred revenue		**10,183**	50,569
Borrowings	22	**1,948,763**	1,807,557
Total current liabilities		**4,548,950**	3,814,744
Total liabilities		**6,488,808**	5,873,217
Total equity and liabilities		**17,213,320**	11,159,451
Net current assets/(liabilities)		**146,598**	(146,480)
Total assets less current liabilities		**12,664,370**	7,344,707

Director *Director*

The notes on pages 61 to 126 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	10(a)	12,449,157	7,717,145
Loans to subsidiaries	10(b)	23,786	76,944
Total non-current assets		12,472,943	7,794,089
Current assets			
Loans to subsidiaries	10(b)	—	80,930
Other receivables		—	786
Cash and cash equivalents	17	5,110	17,665
Total current assets		5,110	99,381
Total assets		12,478,053	7,893,470
EQUITY			
Equity attributable to owners of the parent			
Ordinary shares	18	147	115
Share premium	18	6,006,880	3,776,401
Convertible preference shares	18	2,831,338	—
Reserves	19	1,729,542	1,776,157
Total equity		10,567,907	5,552,673
LIABILITIES			
Non-current liabilities			
Borrowings	22	884,051	1,092,857
Convertible Bonds	24	—	779,148
Total non-current liabilities		884,051	1,872,005
Current liabilities			
Other payables	21	7,575	57,113
Borrowings	22	180,944	411,679
Convertible Bonds	24	837,576	—
Total current liabilities		1,026,095	468,792
Total liabilities		1,910,146	2,340,797
Total equity and liabilities		12,478,053	7,893,470
Net current liabilities		(1,020,985)	(369,411)
Total assets less current liabilities		11,451,958	7,424,678

Director *Director*

The notes on pages 61 to 126 are an integral part of this financial statement.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	6	**4,503,885**	3,980,766
Cost of sales	27	**(3,105,553)**	(2,865,608)
Gross profit		**1,398,332**	1,115,158
Selling and marketing expenses	27	**(1,248,886)**	(980,561)
Administrative expenses	27	**(413,874)**	(277,752)
Other income — net	25	**337,472**	280,362
Other gains — net	26	**425,928**	70,430
Finance expenses	29	**(230,670)**	(230,555)
Finance income	30	**62,702**	14,753
Unrealised (loss)/gain from change of fair value of Convertible Bonds	24	**(4,851)**	10,742
Share of loss of associates	13	**(7,332)**	(1,055)
Profit before income tax		**318,821**	1,522
Income tax (expense)/credit	31	**(83,392)**	14,637
Profit for the year		**235,429**	16,159
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**235,429**	16,159
Attributable to:			
Equity holders of the Company		**228,463**	16,159
Non-controlling interests		**6,966**	—
		235,429	16,159
Earnings per share for profit attributable to the ordinary shareholders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**13.5**	1.1
— diluted	32(b)	**13.5**	1.1
Earnings per share for profit attributable to the preference shares holders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**13.5**	—
— diluted	32(b)	**13.5**	—
Dividends	33	**—**	—

The notes on pages 61 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000	Share premium RMB'000	Convertible preference shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
Balance at 1 January 2013		115	3,776,401	–	248,410	1,261,308	5,286,234	–	5,286,234
Comprehensive income									–
Profit for the year		–	–	–	–	228,463	228,463	6,966	235,429
Other comprehensive income		–	–	–	–	–	–	–	
Total comprehensive income		–	–	–	–	228,463	228,463	6,966	235,429
Transactions with owners							–		
Issuance of ordinary shares	18	32	2,230,479	–	–	–	2,230,511	–	2,230,511
Issuance of convertible preference shares	18	–	–	2,831,338	–	–	2,831,338	–	2,831,338
Profit appropriation to statutory reserves		–	–		26,896	(26,896)	–	–	–
Contribution from non-controlling interests of subsidiaries		–	–	–	–	–	–	141,000	141,000
Total transactions with owners		32	2,230,479	2,831,338	26,896	(26,896)	5,061,849	141,000	5,202,849
Balance at 31 December 2013		147	6,006,880	2,831,338	275,306	1,462,875	10,576,546	147,966	10,724,512
Balance at 1 January 2012		115	3,776,401	–	252,284	1,247,138	5,275,938	–	5,275,938
Comprehensive income									–
Profit for the year		–	–	–	–	16,159	16,159	–	16,159
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	16,159	16,159	–	16,159
Transactions with owners									–
Profit appropriation to statutory reserves		–	–	–	1,989	(1,989)	–	–	–
Share-based payment expenses	28	–	–	–	(5,863)	–	(5,863)	–	(5,863)
Total transactions with owners		–	–	–	(3,874)	(1,989)	(5,863)	–	(5,863)
Balance at 31 December 2012		115	3,776,401	–	248,410	1,261,308	5,286,234	–	5,286,234

The notes on pages 61 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**958,028**	399,393
Interest paid		**(221,886)**	(228,799)
Interest received		**7,572**	12,630
Income tax paid		**(13,842)**	(41,283)
Cash flows generated from operating activities — net		**729,872**	141,941
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired (Note 37)		**45,952**	—
Proceeds from disposal of subsidiaries, net of cash disposed (Note 38)		**601,909**	—
Proceeds from disposal of an associate, net of cash disposed		**—**	90,000
Proceeds from disposal of land use rights		**—**	29,398
Proceeds from disposal of property, plant and equipment		**14,337**	21,132
Purchase of property, plant and equipment		**(208,149)**	(374,378)
Investment in associates		**—**	(34,900)
Purchase of land use rights		**(125,842)**	(90,990)
Increase in restricted cash		**(462,016)**	(6,867)
Cash flows used in investing activities — net		**(133,809)**	(366,605)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	18	**302,443**	—
Issuance costs in relation to issuance of ordinary shares	18	**(4,586)**	—
Contribution from non-controlling interests of subsidiaries		**141,000**	—
Proceeds from banks and other financial institution borrowings		**2,177,059**	5,048,277
Repayments of borrowings from bank and other financial institution		**(2,793,576)**	(4,580,467)
Cash flows (used in)/generated from financing activities — net		**(177,660)**	467,810
Exchange (loss)/gain on cash and cash equivalents		**(2,109)**	1,409
Net increase in cash and cash equivalents		**416,294**	244,555
Cash and cash equivalents at beginning of the year	17	**521,127**	276,572
Cash and cash equivalents at end of the year	17	**937,421**	521,127

The notes on pages 61 to 126 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 23 February 2007.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 18 March 2014.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. Summary of significant accounting policies

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of IFRS 10 does not have a material impact on the Group's financial results for the year.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new disclosure requirements have been adopted by the Group, which are set out in Note 13.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The new disclosure requirements have been adopted by the Group, which are set out in Note 4.3.

- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

3. Summary of significant accounting policies (Continued)

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

- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting' (effective from 1 January 2014).
- Amendments to IFRS 10, 12 and IAS 27 'Consolidation for investment entities' (effective from 1 January 2014).
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives' (effective from 1 January 2014).
- Annual improvements 2012 (effective from 1 July 2014).
- Annual improvements 2013 (effective from 1 July 2014).
- IFRS 9 'Financial Instruments' (effective date of this standard is open pending the finalisation of the impairment and classification and measurement requirements).

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 statements.

In addition to those disclosed in Note 3(c) above, there are a number of amendments and interpretations to the existing standards which have been published and are not mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods and are not relevant for the Group's operations. For this reason and as otherwise the disclosures would be of excessive length, they are not disclosed.

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries

3.1.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 3.7).

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.1 Consolidation (Continued)

(a) Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.3 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of comprehensive income.

3. Summary of significant accounting policies (Continued)

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Renminbi' ('RMB'), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the applicable exchange rates quoted by the People's Bank of China prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "finance income or cost".

3.4 Property, plant and equipment

Property, plant and equipment which consist of buildings, machinery, motor vehicles and furniture and equipment, are stated at historical cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the Group and such cost incremental can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to the consolidated statement of comprehensive income in the period incurred.

3. Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

Depreciation of assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Machinery	13–18 years
Motor vehicles	5–8 years
Furniture and office equipment	3–6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in 'Other income — net' in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

3.5 Barter transactions

When goods are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods given up, adjusted by the amount of any cash or cash equivalents transferred.

3. Summary of significant accounting policies (Continued)

3.6 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

3.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates and joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries, associates and joint ventures is included in "intangible assets". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 3.8).

(b) Trademarks and computer software licences

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 30 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

(c) License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost comprises the capitalised present value of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license right. These costs are amortised over their estimated useful lives of 9.5 years.

License rights are amortised using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3. Summary of significant accounting policies (Continued)

3.7 Intangible assets (Continued)

(d) Sales distribution networks and customer relationships

Sales distribution networks and customer relationships acquired directly or acquired in a business combination are recognised at fair value at the acquisition date. The sales distribution networks and customer relationships have a finite useful life ranging from 4.2 to 18.5 years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the sales distribution networks and customer relationships.

3.8 Impairment of investment in subsidiaries and non-financial assets

Goodwill and assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and other loans and receivables in the balance sheet (Note 3.11 and 3.12).

Regular way of purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment testing of trade receivables is described in Note 14.

3. Summary of significant accounting policies (Continued)

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. Summary of significant accounting policies (Continued)

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

3.16 Convertible instruments

(a) Convertible bonds

Convertible Bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares are conversion right derivatives. Redemption rights are also embedded derivatives and accounted together with conversion right as a single derivative. At the date of issue of the Convertible Bonds, the derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of derivative from the fair value of the Convertible Bonds as a whole.

In subsequent periods, the liability component of the Convertible Bonds is carried at amortised cost using the effective interest method. The conversion right derivative is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The liability component and the related embedded derivative of the conversion bond is presented as a separate line item on the face of the balance sheet as non-current liabilities, unless there is any redemption right valid in the next 12 months.

If the bonds are converted, the respective conversion right derivative in the Convertible Bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

3. Summary of significant accounting policies (Continued)

3.16 Convertible instruments (Continued)

(b) *Convertible preference shares*

Convertible preference shares issued by the Company are classified as equity upon initial recognition as the Company has no contractual obligation to deliver cash or another financial asset nor to deliver a variable number of shares.

In subsequent periods, the convertible preference shares shall not be re-measured.

If the preference shares are converted, the carrying value of the equity initially recognized is transferred to share capital and share premium, respectively.

3.17 License fee payables

License fee payables are initially recorded at fair value, which represents the present value of the fixed minimum periodic payments to be made in subsequent years at the time of the acquisition (Note 3.7(c)). They are subsequently stated at amortised cost using the effective interest method less amounts paid.

3.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Summary of significant accounting policies (Continued)

3.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Inside basis differences (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the relevant municipal and provincial governments in the PRC. The relevant municipal and provincial government undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Other benefits

Other directors and employee's obligations are recorded as a liability and charged to the consolidated statement of comprehensive income when the Group is continually obliged or when there is a past practice that has created a constructive obligation.

3. Summary of significant accounting policies (Continued)

3.20 Share-based payments

(a) *Equity-settled share-based payment transactions*

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

3. Summary of significant accounting policies (Continued)

3.20 Share-based payments (Continued)

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectability of the related receivables is reasonably assured.

3. Summary of significant accounting policies (Continued)

3.22 Revenue recognition (Continued)

(b) *Bill and hold sales*

When goods delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when the buyer take title, provided:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

(c) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.23 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Summary of significant accounting policies (Continued)

3.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income as other income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated statement of comprehensive income as other income on a straight-line basis over the expected lives of the related assets. The expected lives for machinery, buildings and building supporting facilities ranges from 13 to 50 years.

3.26 Customer royalty program

The Group grants to its customers award credits as part of sales of goods, and subject to meet any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Group recognizes the consideration allocated to award credits as revenue when award credits are redeemed and it fulfils its obligations to supply awards.

4. Financial risk management

4.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk. Financial risk management is carried out by group treasury which identifies, evaluates and hedges financial risk in accordance to policies approved by the Board of Directors.

(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") and the Euro. 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 2013 but may use them from time to time to hedge against certain material foreign exchange exposures.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) *Foreign exchange risk* (Continued)

As at 31 December 2013, assuming the exchange rate of RMB/USD increased/decreased by 1% against the USD with all other variables remaining unchanged, the Group's post-tax profit for 2013 would have been decreased/increased by RMB23,145,000 (2012: RMB15,891,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated Convertible Bonds and bank borrowings.

(b) *Price risk*

The group is exposed to price risk in fair value of conversion rights of the Convertible Bonds. A rise of the stock price will be accompanied by an increase in the fair value of the conversion rights which will increase the liability of the Group.

(c) *Credit risk*

Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected customers, including distributors with long-term relationship and supermarkets signed sales contracts with credit terms. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and past experience. The credit terms are regularly monitored. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the top 5 largest customers was RMB479,549,000 as at 31 December 2013 (2012: RMB412,100,000), representing 40% of the total balance of trade receivables at 31 December 2013 (2012: 52%).

No material credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The table below shows bank balances held at the five major banks at the balance sheet date, all of which are state-owned or listed banks in the Chinese domestic capital markets. These balances represent 86% of total bank balances at 31 December 2013 (2012: 86%).

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) *Credit risk* (Continued)

Cash and cash equivalents

	2013 RMB'000	2012 RMB'000
Bank of Communications Co., Ltd.	**562,620**	253,271
Bank of China Limited	**403,788**	91,986
Bank of Beijing	**166,667**	88,279
Agricultural Bank of China	**125,744**	60,045
Shanghai Pudong Development Bank	**66,643**	52,146
	1,325,462	545,727

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Unused proceeds from fund raising through issuance of shares or borrowings will be put in short-term deposits with banks in the PRC. The Group's objective is to maintain adequate cash and cash equivalents and committed credit lines to ensure sufficient and flexible funding is available to the Group.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2013				
Non-current bank borrowings	–	968,544	868,736	–
Current bank borrowings	1,948,763	–	–	–
Interest payable for bank borrowings	111,616	26,822	6,951	–
Convertible bonds	837,576	–	–	–
Trade and other payables	1,785,080	–	–	–
At 31 December 2012				
Non-current bank borrowings	–	256,805	918,593	–
Current bank borrowings	1,807,557	–	–	–
Interest payable for bank borrowings	89,476	44,393	30,327	–
Convertible bonds	–	–	779,148	–
Trade and other payables	1,858,974	–	–	–
Company				
At 31 December 2013				
Non-current bank borrowings	180,944	884,051	–	–
Interest payable for bank borrowings	23,689	15,057	–	–
Convertible bonds	837,576	–	–	–
Other payables	7,575	–	–	–
At 31 December 2012				
Non-current bank borrowings	–	201,136	891,721	–
Current bank borrowings	411,679	–	–	–
Interest payable for bank borrowings	35,855	31,262	22,212	–
Convertible bonds	–	–	779,148	–
Other payables	57,113	–	–	–

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(e) 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.

At 31 December 2013, if interest rates on US dollar-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB13,997,000 (2012: RMB14,336,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

4.2 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 (including Convertible Bonds) and as the total borrowing (excluding Convertible Bonds) divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2013, the debt-to-equity ratio was 43.7% (including Convertible Bonds) (2012: 71.2%), and 35.3% (excluding Convertible Bonds) respectively (2012: 56.4%).

4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Financial risk management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights (Note 24)	—	—	80,315	80,315

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Conversion rights (Note 24)	—	—	75,464	75,464

The fair value of conversion rights of the Convertible Bonds, together with redemption rights (considered as a single derivative) (the "embedded derivatives") was valued by estimating the value of the whole bond with and without the embedded derivatives. As for the change in level 3 instruments for the year ended 31 December 2013, please refer to Note 24.

The most significant inputs in determination of the fair value of conversion rights of Convertible Bonds are market price of the Company, discount rate, and volatility rate of market price of the Company. If the market price had been 10% higher/lower than management's estimates at 31 December 2013, it would have increased/decrease by RMB24,387,600 for fair value of conversion rights. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2013, it would have increased/decrease by RMB4,219,000 for fair value of conversion rights. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2013, it would have increased/decrease by RMB11,121,000 for fair value of conversion rights.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(a) Useful lives and impairment assessment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on the higher of fair value and value-in-use calculations. These calculations require the use of judgment and estimates.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of the cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

As of 31 December 2013, value-in-use amount of the cash-generating unit ("CGU") is higher than the carrying amount of the CGU. If the revenue used in the value-in-use calculation for the CGU had been 11% lower than management's estimates at 31 December 2013, it would have decreased by 10% for the value-in-use of the CGU, which would approximate the carrying amount of the CGU.

(c) Impairment of investments in subsidiaries

Where goodwill has indicator for impairment, the carrying value of the parent entity's investment in the relevant subsidiary in the parent's separate financial statements should also be reviewed for impairment. The recoverable amount has been determined based on the higher of fair value less costs to sell and value-in-use calculations. The calculations require the use of estimates which are almost same as those used in value-in-use calculations of goodwill (Note 9).

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(d) Useful lives and impairment assessment of sales distribution networks and customer relationships

The Group's management determines the estimated useful lives and related amortization charges for sales distribution networks and customer relationships. This estimate is based on the estimated churn periods of the customer base and experience in similar business.

Management will increase the amortization charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Sales distribution networks and customer relationships are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of sales distribution networks and customer relationships have been determined based on the higher of fair value and value-in-use calculations. These require the use of judgment and estimates.

(e) Useful lives of trademarks

The Group's management determines the estimated useful lives and related amortisation charges for its trademarks. This estimate is based on projected sales of those products associated with the trademark. It could change significantly as a result of competitors' actions as well as changes in customers' taste. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down to the recoverable amount when there is any indication that the carrying amount is not recoverable.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses these estimates at each balance sheet date.

(g) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Certain subsidiaries of the Group whose major business is related to processing of agricultural products enjoy duty free policy from government after approval of the local competent tax authorities. Management believes that these subsidiaries will continuously be qualified to be entitled to duty free policy from government after approval of the local competent tax authorities.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(h) Provision for impairment of receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimates has been changed.

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 the revenue from a perspective of products. 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. After the completion of the acquisition of puree and concentrated juice business in October 2013 (Note 37), the Group becomes a vertically integrated business with operations along the value chain from fruit processing to sales and marketing of Juice and other beverage products. The puree and concentrated business does not have a majority of revenue from external customers, and management determines neither to separately review the performance of the business nor to report the business externally as a business segment. As a result, the puree and concentrated juice business has been combined into the juice and other beverage products segment.

The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of revenue by product category is as follows:

	2013 RMB'000	2012 RMB'000
100% juice products	**1,204,666**	1,108,029
Nectars	**1,456,107**	1,049,911
Juice drinks	**1,011,206**	851,881
Other beverage products	**831,906**	970,945
	4,503,885	3,980,766

The Group made barter sales of approximately RMB19,488,000 (2012: RMB29,252,000) during the year in exchange for transportation vehicles, advertising services and etc.

7. Land use rights — Group

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

	2013 RMB'000	2012 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	**1,123,894**	746,261
Total	**1,123,894**	746,261
Representing:		
Opening net book amount	**746,261**	784,455
Additions	**170,789**	47,956
Acquisition of subsidiaries (Note 37)	**386,156**	—
Amortization of prepaid operating lease payments (Note 27)	**(18,259)**	(16,206)
Disposals (a)	**(17,734)**	(69,944)
Disposal of subsidiaries (Note 38)	**(143,319)**	—
Closing net book amount	**1,123,894**	746,261

(a) In December 2013, one subsidiary of the Company disposed its land use rights back to its local Bureau of Land and Resources. As at December 2013, the receivable resulting from this disposal amounted to RMB120,000,000.

(b) The Group is in the process of applying for the legal title for land use rights with net book value of RMB12,784,000 as at 31 December 2013 (2012: nil).

8. Property, plant and equipment — Group

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	784,380	2,982,403	50,056	179,534	2,029,331	6,025,704
Additions	43,847	36,310	2,084	5,485	359,266	446,992
Acquisition of subsidiaries (Note 37)	239,369	543,880	4,687	2,047	289,930	1,079,913
Transfer upon completion	377,040	1,454,112	407	13,400	(1,844,959)	–
Disposals	(78,939)	(8,833)	(6,925)	(1,225)	–	(95,922)
Disposal of subsidiaries (Note 38)	(47,381)	–	–	–	–	(47,381)
Depreciation (a) (Note 27)	(35,248)	(338,716)	(7,953)	(58,829)	–	(440,746)
Closing net book amount	1,283,068	4,669,156	42,356	140,412	833,568	6,968,560
At 31 December 2013						
Cost	1,409,800	6,415,684	150,971	352,690	833,568	9,162,713
Accumulated depreciation	(126,732)	(1,746,528)	(108,615)	(212,278)	–	(2,194,153)
Net book amount	1,283,068	4,669,156	42,356	140,412	833,568	6,968,560
Year ended 31 December 2012						
Opening net book amount	812,954	2,484,045	60,765	182,766	2,436,680	5,977,210
Additions	2,706	51,502	5,213	30,401	391,655	481,477
Transfer upon completion	49,719	731,558	1,410	16,317	(799,004)	–
Disposals	(51,997)	(11,621)	(6,127)	(505)	–	(70,250)
Depreciation (a) (Note 27)	(29,002)	(273,081)	(11,205)	(49,445)	–	(362,733)
Closing net book amount	784,380	2,982,403	50,056	179,534	2,029,331	6,025,704
At 31 December 2012						
Cost	904,806	4,413,418	158,610	355,941	2,029,331	7,862,106
Accumulated depreciation	(120,426)	(1,431,015)	(108,554)	(176,407)	–	(1,836,402)
Net book amount	784,380	2,982,403	50,056	179,534	2,029,331	6,025,704

(a) Depreciation expenses have been charged to consolidated statement of comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Cost of sales	370,752	291,733
Administrative expenses	28,741	26,206
Selling and marketing expenses	41,253	44,794
	440,746	362,733

(b) Operating lease rentals amounting to approximately RMB9,143,000 for the year ended 31 December 2013 (2012: RMB10,231,000) relating to the lease of building and machinery are included in the consolidated statement of comprehensive income.

8. Property, plant and equipment — Group (Continued)

(c) There is no property, plant and equipment of the Group pledged as security for bank borrowings at 31 December 2013 (2012: nil).

(d) During the year, the group has capitalised borrowing costs amounting to RMB68,016,000 (2012: RMB111,272,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.04% (2012: 5.07%).

9. Intangible assets — Group

	Sales distribution networks and customer relationships RMB'000	Goodwill RMB'000	Trademarks RMB'000	License right RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	148,480	166,067	122,808	739	339	438,433
Additions	–	–	–	–	487	487
Acquisition of subsidiaries (Note 37)	33,630	3,775,513	–	–	415	3,809,558
Amortisation charge (a) (Note 27)	(14,599)	–	(5,188)	(739)	(63)	(20,589)
Closing net book amount	167,511	3,941,580	117,620	–	1,178	4,227,889
At 31 December 2013						
Cost	226,924	3,941,580	177,907	11,864	1,476	4,359,750
Accumulated amortisation (b)	(59,413)	–	(60,287)	(11,864)	(298)	(131,861)
Net book amount	167,511	3,941,580	117,620	–	1,178	4,227,889
Year ended 31 December 2012						
Opening net book amount	161,569	166,067	128,738	1,006	400	457,780
Additions	–	–	–	1	–	1
Amortisation charge (a) (Note 27)	(13,089)	–	(5,930)	(268)	(61)	(19,348)
Closing net book amount	148,480	166,067	122,808	739	339	438,433
At 31 December 2012						
Cost	193,294	166,067	177,907	11,864	574	549,706
Accumulated amortisation and impairment (b)	(44,814)	–	(55,099)	(11,125)	(235)	(111,273)
Net book amount	148,480	166,067	122,808	739	339	438,433

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

9. Intangible assets — Group (Continued)

(b) Impairment test for goodwill

The goodwill of RMB166,067,000 was generated from acquisition of juice business in PRC in previous years before listing and the goodwill of RMB3,775,513,000 was generated from acquisition of one of the Group's major supplier of juicy business in 2013 (Note 37). As the Group mainly engaged in juice business, the Company and subsidiaries were collectively viewed as one cash-generating unit ("CGU"). The recoverable amounts of the CGU have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period when optimum utilization of production capacity is expected to be reached. Cash flows beyond the six-year period are extrapolated using the estimated growth rates of 3%.

The other key assumptions used for value-in-use calculations in 2013 include budgeted gross margin and discount rate applied to the cash flow projections, which are in a range of 35%–37% and 10.52%, respectively.

Management determined budgeted gross margin based on past performance and its expectations of market development.

The directors are of the view that there was no impairment of goodwill as at 31 December 2013.

(c) Sales distribution networks and customer relationships

The Group paid RMB154 million to acquire certain sales distribution networks from certain major distributors in May 2008.

Sales distribution networks amounting to RMB39,560,000 were identified during the acquisition transaction of milk beverage business in July 2009.

Customer relationships amounting to RMB33,630,000 were identified during the acquisition transaction of puree and concentrated juice business in October 2013 (Note 37).

The balance is amortised over the expected useful lives of the sales distribution networks and customer relationships.

10. Interests in and loans to subsidiaries

(a) Interests in subsidiaries

	Company	
	2013 RMB'000	2012 RMB'000
Unlisted equity investments, at cost:	**15,828,186**	11,396,113
Amounts due from subsidiaries[(i)]	**299,939**	—
Capital contribution relating to share-based payment	**21,499**	21,499
Less: Impairment provision	**(3,700,467)**	(3,700,467)
	12,449,157	7,717,145

i. The amounts due from subsidiaries are unsecured, non-interest bearing and not expected to be repayable and considered as part of net investment.

The following is a list of all subsidiaries at 31 December 2013:

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Directly held				
Huiyuan Beijing Holdings Limited	The British Virgin Islands (the "BVI")	Investment holdings	US$50,000 (US $1 Per ordinary Share)	100%
Huiyuan Shanghai Holdings Limited	The BVI	Investment holdings	US$50,000 (US $1 Per ordinary Share)	100%
Huiyuan Chengdu Holdings Limited	The BVI	Investment holdings	US$50,000 (US $1 Per ordinary Share)	100%
Huiyuan Europe Ltd.UK	The UK	Trade	GBP1,000	100%
Huiyuan Europe GmbH	Germany	Trade	EUR25,000	100%
Indirectly held				
[1]Beijing Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Beijing Huiyuan Group Huanggang Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB300,000,000	100%
[1]Beijing Huiyuan Group Kaifeng Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Harbin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Jiujiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB250,000,000	100%
[1]Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Beijing Xinyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Luzhong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$50,000,000	100%
[1]Xinjiang Huiyan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB20,000,000	100%
[1]Hebei Huiyuan Food & Berverage Co., Ltd	The PRC	Manufacture of fruit and vegetable juices	RMB80,000,000	100%
[1]Qiqihaer Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Jilin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Jinzhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,990,000	100%
[1]Jiangxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,000,000	100%
[1]Guilin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%

10. Investments in and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[1]Shanxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Anhui Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,800,000	100%
[1]Dezhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Jiangsu Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$13,000,000	100%
[1]Yanbian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Shandong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$12,000,000	100%
[1]Beijing Huiyuan biotechnology Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Benxi Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB80,000,000	100%
[1]Dangshan Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]Zhongxiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Beijing Tongchenghongye Trading Co., Ltd	The PRC	Marketing & sales of fruit and vegetable juices	RMB100,000	100%
[1]Shandong Shengshuiyu Mineral Water Co., Ltd	The PRC	Manufacture of mineral water	RMB200,000,000	100%
[1]Ningxia Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Suqian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Shandong Xinming Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of milk and dairy drinks	US$22,000,000	100%
[1]Shaanxi Yanglin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB120,000,000	100%
[1]Shandong Yuanda Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$8,000,000	100%
[1]Nanchong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Hengshui Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yuncheng Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Zhaodong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yongchun Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yunhe Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$30,000,000	100%
[1]Beijing Huiyuan Potable Water Co., Ltd.	The PRC	Sales of potable water	RMB3,000,000	100%
[1]Guizhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB50,000,000	100%
[1]Gansu Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB50,000,000	100%
[1]XuRiSheng (Hengshui) Beverage Co., Ltd.	The PRC	Manufacture of "XuRiSheng" ice tea beverage	RMB30,000,000	100%
[1]Heilongjiang Kedong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of mineral water	RMB30,000,000	100%
China Huiyuan Industry Holding Limited**	The BVI	Investment holdings	US$1	100%
China Huiyuan Industry Limited**	Hong Kong	Investment holdings	HK$1	100%

10. Investments in and loans to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Beijing Huiyuan Total Fruit Industry Limited**	The PRC	Investment holdings	RMB82,000,000	100%
Beijing Huiyuan Group Wanrong Co., Ltd.**	The PRC	Manufacture of puree, concentrated juice and preform	RMB60,000,000	100%
Beijing Huiyuan Group Jizhong Food & Beverage Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB7,000,000	100%
Huiyuan Jiulonggou Biology and Farming Limited**	The PRC	Manufacture of puree and concentrated juice	RMB13,000,000	100%
Beijing Huiyuan Group Leling Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB10,000,000	100%
Beijing Huiyuan Group Youyu Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
Beijing Huiyuan Group Pingyi Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB2,000,000	100%
Beijing Huiyuan Group Wanbei Fruit Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB8,000,000	100%
Taian Huiyuan Food and Beverage Co. Ltd.**	The PRC	Manufacture of preform	RMB10,000,000	100%
Beijing Huiyuan Group Yangling Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
Beijing Huiyuan Group Hengshui Co., Ltd.**	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
Shandong Yiyuan Yongxin Packing Co., Ltd.**	The PRC	Manufacture of carton	RMB1,000,000	100%
Beijing Huiyuan Group Longhua Co., Ltd**	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
Hubei Huibang Real Estate Co., Ltd.*	The PRC	Real estate development	RMB30,000,000	100%
Kashi Huiyuan Food & Beverage Co., Ltd.*	The PRC	Trading of fruit and fruits	RMB20,000,000	70%
Shanxi Guangfuyuan Trading Company Limited*	The PRC	Sales of juice and beverages	RMB1,020,000	100%
Lingbao Huiyuan Jindi Eucommia Industry Co., Ltd. *	The PRC	Planting and processing of Eucommia	RMB300,000,000	75%

1. The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

* These subsidiaries were newly established during the year of 2013.

** These subsidiaries were newly acquired from business combination during the year of 2013 (Note 37).

(b) Loans to subsidiaries

The loans to subsidiaries are unsecured, with interest rate of 3%, and terms of 3–10 years, which were denominated in USD.

(c) Material non-controlling interests

The total non-controlling interests for the period is RMB147,966,000, none of which is material.

11. Deferred income tax — Group

The analysis of deferred tax assets/(liabilities) is as follows:

	2013 RMB'000	2012 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	36,740	58,109
— Deferred tax asset to be recovered within 12 months	54,433	32,818
	91,173	90,927
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	(411)	—
— Deferred tax liability to be recovered within 12 months	(9,198)	—
	(9,609)	—
Deferred tax assets (net)	81,564	90,927

The gross movement on the deferred income tax account is as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	90,927	70,132
Tax losses	4,474	26,632
Deferred revenue and other unpaid payables	(11,308)	(5,053)
Amortisation of trademark	(347)	(347)
Government grants received	(2,642)	(269)
Provisions for impairment of inventories and receivables	9,059	242
Unrealised profit	1,048	1,213
Fair value gains (a)	(9,609)	—
Other temporary differences	(38)	(1,623)
At 31 December	81,564	90,927

11. Deferred income tax — Group (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Provisions RMB'000	Deferred government grants RMB'000	Amortisation of trademark RMB'000	Tax losses RMB'000	Unrealised Profit RMB'000	Deferred Revenue and other unpaid payables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	4,027	4,558	7,570	31,131	2,278	18,907	1,661	70,132
Credited/(Charged) to the consolidated statement of comprehensive income	242	(269)	(347)	26,632	1,213	(5,053)	(1,623)	20,795
At 31 December 2012	**4,269**	**4,289**	**7,223**	**57,763**	**3,491**	**13,854**	**38**	**90,927**
Credited/(Charged) to the consolidated statement of comprehensive income	**9,059**	**(2,642)**	**(347)**	**4,474**	**1,048**	**(11,308)**	**(38)**	**246**
At 31 December 2013	**13,328**	**1,647**	**6,876**	**62,237**	**4,539**	**2,546**	**–**	**91,173**

Deferred tax liabilities	Fair value gains[(a)] RMB'000
At 1 January 2012	—
Charged to the consolidated statement of comprehensive income	—
At 31 December 2012	**—**
Acquisition of subsidiaries (Note 37)	**(9,689)**
Credited to the consolidated statement of comprehensive income	**80**
At 31 December 2013	**(9,609)**

(a) Deferred tax liabilities results from the revaluation of the assets acquired from the acquisition of puree and concentrated juice business (Note 37). Most subsidiaries acquired whose major business is related to processing of agricultural products were entitled to duty free policy from government after approval of the local competent tax authorities. As a result, no deferred income tax liabilities were recognized for the revaluation of the assets of these subsidiaries.

(b) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB103,578,000 (2012: RMB101,949,000) in respect of losses amounting to RMB414,313,000 (2012: RMB407,797,000) that can be carried forward against future taxable income. Losses amounting to RMB33,244,000 (2012: RMB58,003,000) and RMB381,069,000 (2012: RMB349,794,000) will expire in 2014 and the years between 2015 and 2018 respectively.

Deferred income tax liabilities of RMB55,901,000 (2012: RMB55,901,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC at 31 December 2013. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the years ended 31 December 2013 and 2012 since the Group has no plan to distribute such profits in the foreseeable future.

12. Long-term prepayment — Group

	2013 RMB'000	2012 RMB'000
Long-term prepayment for LUR	**57,902**	43,034
Long-term prepayment for PPE	**36,269**	41,600
Long-term prepayment for advertising	**4,384**	—
Total	**98,555**	84,634

13. Investments in associates — Group

	2013 RMB'000	2012 RMB'000
At 1 January	**13,745**	9,900
Capital injection in associates	**—**	59,823
Share of loss of associates (a)	**(7,332)**	(1,055)
Dispose of an associate	**—**	(54,923)
At 31 December	**6,413**	13,745

(a) The directors of the Company are of the view that none of the Group's associates is material to the Group as at 31 December 2013. The following table presents the group's share of profit/(loss) from continuing operations and total comprehensive income of its principal associates for the years ended 31 December 2013 and 2012. The Group does not have any share of post-tax profit/loss from discontinued operations or other comprehensive income for the years ended 31 December 2013 and 2012.

Name	Country of incorporation	% interest held	Share of profit/(loss) from continuing operations RMB'000	Share of total comprehensive income RMB'000
Year ended 31 December 2012				
Golden Creation (Tianjin) Trade Co. Ltd.	China	24.45	95	95
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd	China	49.00	1,150	1,150
			(1,055)	(1,055)
Year ended 31 December 2013				
Golden Creation (Tianjin) Trade Co. Ltd.	**China**	**24.45**	**(3,583)**	**(3,583)**
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd	**China**	**30.00**	**(3,749)**	**(3,749)**
			(7,332)	**(7,332)**

14. Trade and other receivables — Group

	2013 RMB'000	2012 RMB'000
Trade receivables	**1,088,471**	761,226
Related parties (a) (Note 39(c))	**60,820**	8,886
Third parties (a)	**1,083,594**	787,356
Less: Provision for impairment of trade receivables (a)	**(55,943)**	(35,016)
Bills receivable — third parties (b)	**39,326**	32,574
Prepayments of raw materials and others — third parties	**346,440**	252,659
Deductible VAT input balance	**207,473**	347,259
Other receivables	**173,365**	32,437
Related parties (Note 39(c))	**27,194**	3,510
Third parties (c)	**182,621**	32,266
Less: Provision for impairment of other receivables (c)	**(36,450)**	(3,339)
	1,855,075	1,426,155

The carrying amounts of trade and other receivables approximate their fair values.

(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 31 December 2013 and 2012, the ageing analysis of trade receivables was as follows:

— Third parties

	2013 RMB'000	2012 RMB'000
Within 3 months	**672,211**	632,082
Between 4 and 6 months	**63,567**	77,712
Between 7 and 12 months	**326,662**	40,773
Between 1 and 2 years	**21,154**	23,160
Over 2 years	**—**	13,629
	1,083,594	787,356

14. Trade and other receivables — Group (Continued)

(a) (Continued)

— Related parties

	2013 RMB'000	2012 RMB'000
Within 3 months	60,148	8,455
Over 3 months	672	431
	60,820	8,886

Movements on the provision for impairment of trade receivables are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	35,016	31,567
Provision for impairment of trade receivables	41,299	3,449
Trade receivables written off during the year as uncollectible	(20,372)	—
At 31 December	55,943	35,106

As at 31 December 2013, trade receivables of RMB21,154,000 (2012: RMB35,106,000) were past due and fully provided for provision. There is no trade receivable past due but not impaired. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2013 RMB'000	2012 RMB'000
7 to 12 months	34,789	—
Over 1 year	21,154	35,106
	55,943	35,106

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
Renminbi	1,014,282	662,179
U.S. Dollar	74,189	99,047
	1,088,471	761,226

14. Trade and other receivables — Group (Continued)

(a) (Continued)

The creation and release of provisions for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income (Note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Bills receivable

Bills receivable are bills of exchange with maturity dates of less than 6 months and are non-interest bearing. All the bills receivables are dominated in Renminbi.

No bill receivable was pledged as security for current bank borrowings as at 31 December 2013 (2012: nil).

(c) Details of other receivables-third parties are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Receivable from disposal of land use rights (Note 7)	**120,000**	—
Consideration receivable from disposal of subsidiaries (Note 38)	**45,000**	—
Deposit receivable	**8,900**	22,693
Advance to employees	**560**	1,410
Others	**8,161**	8,163
	182,621	32,266

Movements on the provision for impairment of other receivables are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	**3,339**	679
Provision for impairment of other receivables	**33,111**	2,660
At 31 December	**36,450**	3,339

15. Inventories — Group

	2013 RMB'000	2012 RMB'000
Raw materials	**896,897**	1,094,587
Finished goods	**104,953**	171,149
Spare parts and consumable materials	**323,417**	339,477
	1,325,267	1,605,213

The cost of inventories recognised as expenses amounted to RMB2,341,144,000 (2012: RMB2,204,444,000), which included inventory write-down of RMB42,327,000 (2012: RMB29,734,000).

16. Restricted cash

Restricted cash comprised letter of credit deposits for the purchasing of equipment, deposits for note payables and time deposit (with a maturity of more than 3 months). All the restricted cash are dominated in Renminbi.

17. Cash and cash equivalents

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash at banks and cash in hand				
Denominated in				
— Renminbi Yuan	**1,486,108**	596,936	**1**	—
— U.S. Dollars	**23,981**	36,505	**4,998**	17,608
— Euros	**5,038**	3,440	**34**	43
— Others	**79**	15	**77**	14
	1,515,206	636,896	**5,110**	17,665
Less: Restricted cash (Note 16)				
— pledged for letter of credits	**(65,947)**	(94,880)	**—**	—
— deposit for note payables	**(41,838)**	(20,889)	**—**	—
— time deposit	**(470,000)**	—	**—**	—
	937,421	521,127	**5,110**	17,665

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC is subject to the rules and regulation of exchange control promulgated by the PRC government.

18. Share capital, share premium and convertible preference shares

	Number of shares of USD0.00001 each (Thousands)	Share capital RMB'000	Share premium RMB'000	Convertible preference shares	Total RMB'000
At 1 January 2013	**1,477,953**	**115**	**3,776,401**	**–**	**3,776,516**
Issuance of ordinary shares excluding those issued as consideration for business combination (a)	**75,000**	**5**	**302,438**	**–**	**302,443**
Issuance costs in relation to issuance of ordinary shares (a)	**–**	**–**	**(4,586)**	**–**	**(4,586)**
Issuance of ordinary shares as consideration for business combination (Note 37)	**447,322**	**27**	**1,932,627**	**–**	**1,932,654**
Issuance of convertible preference shares as consideration for business combination (b) (Note 37)	**–**	**–**	**–**	**2,831,338**	**2,831,338**
At 31 December 2013	**2,000,275**	**147**	**6,006,880**	**2,831,338**	**8,838,365**
At 1 January 2012	1,477,953	115	3,776,401	–	3,776,516
At 31 December 2012	1,477,953	115	3,776,401	–	3,776,516

(a) On 11 December 2013, the Company issued 75,000,000 ordinary shares in the aggregate principal amount of HK$382,500,000 (equivalent to approximately RMB302,443,000). The net proceeds of HK$376,700,000 (equivalent to approximately RMB297,857,000) were included in the equity after netting of the issuance costs of HK$5,800,000 (equivalent to approximately RMB4,586,000).

(b) On 21 October 2013, the Company issued 655,326,877 convertible preference shares (the "CPS") in the aggregate principal amount of HK$3,578,085,000 (equivalent to approximately RMB2,831,338,000). Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right to receive dividends and other distributions as ordinary share. The CPS are non-redeemable by the Company or the holders.

As the Company has no contractual obligation to deliver cash or another financial asset nor to deliver a variable number of shares, the CPS do not meet the definition of financial liabilities under IAS 32. As a result, all of the CPS are classified as equity upon initial recognition.

19. Reserve of the Company

	Company RMB'000
At 1 January 2013	**1,776,157**
Loss for the year	**(46,615)**
At 31 December 2013	**1,729,542**
At 1 January 2012	1,970,515
Loss for the year	(188,495)
Capital contribution relating to share-based payment	(5,863)
At 31 December 2012	1,776,157

20. Share option

(a) Share Option Scheme

The Company adopted the Share Option Scheme on 30 January 2007 which has become effective on 23 February 2007, the Listing Date.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 138,749,750 shares of the Company, being 10% of the total number of shares in issue immediately prior to the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited. The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007. Under the Share Option Scheme, each option has a 10-year exercise period. The subscription price per share shall be the market price on the grant date.

35,450,000 share options granted under the Share Option Scheme on 25 February 2008 have a vesting period of five years. Commencing from the first,second, third and fourth anniversary of the date of grant, the relevant grantee may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

There were no shares options granted, exercised, lapsed or cancelled during the year ended 31 December 2013.

20. Share option (Continued)

(a) Share Option Scheme (Continued)

Movement of the options granted under the share option scheme during the year ended 31 December 2012 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2012	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed or cancelled during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the options outstanding as at 31 December 2012
Mr. Qi Daqing	13 July 2010	29 June 2012*	5.426	150,000	–	150,000	–	–
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	28,810,500	–	15,040,708	–	13,769,792
				28,960,500	–	15,190,708	–	13,769,792

21. Trade and other payables

Group	2013 RMB'000	2012 RMB'000
Trade payables (a)(b)	**1,082,898**	1,449,715
Related parties (Note 39(c))	**40,001**	890,780
Third parties	**1,042,897**	558,935
Other payables	**592,836**	500,085
Related parties (Note 39(c))	**4,034**	39,821
Third parties (b)	**588,802**	460,264
	1,675,734	1,949,800

21. Trade and other payables (Continued)

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

— Third parties

	2013 RMB'000	2012 RMB'000
Within 3 months	**934,830**	515,556
Between 4 and 6 months	**44,035**	18,481
Between 7 and 12 months	**49,883**	9,383
Between 1 and 2 years	**8,339**	7,367
Between 2 and 3 years	**5,648**	6,922
Over 3 years	**162**	1,226
	1,042,897	558,935

— Related parties

	2013 RMB'000	2012 RMB'000
Within 3 months	**35,648**	856,282
Between 4 and 6 months	**2,260**	10,120
Between 7 and 12 months	**2,093**	24,378
	40,001	890,780

(b) The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
Renminbi	**1,048,920**	1,385,968
U.S. Dollar	**33,978**	63,747
	1,082,898	1,449,715

21. Trade and other payables (Continued)

(b) (Continued)

Details of other payables — third parties are as follows:

Group	2013 RMB'000	2012 RMB'000
Advertising expenses payable	**73,621**	87,335
Payable for property, plant and equipment	**130,342**	74,567
Customer deposits	**108,501**	123,774
Accrued expenses	**71,312**	45,671
Marketing expenses payable	**47,288**	7,024
Advance from customers	**44,094**	44,819
Salary and welfare payable	**33,632**	26,385
Other taxes	**20,224**	9,987
Interest payables	**18,420**	24,890
Payable for land use rights	**12,175**	—
Others	**29,193**	15,812
	588,802	460,264

Company	2013 RMB'000	2012 RMB'000
Amount due to subsidiaries	**7,575**	57,113

22. Borrowings

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Non-current				
Bank borrowings	**1,837,280**	1,175,398	**884,051**	1,092,857
Current				
Bank borrowings	**1,948,763**	1,807,557	**180,944**	411,679
Total Bank borrowings	**3,786,043**	2,982,955	**1,064,995**	1,504,536

22. Borrowings (Continued)

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Unsecured	**3,786,043**	2,982,955	**1,064,995**	1,504,536

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Wholly repayable within 5 years	**3,786,043**	2,982,955	**1,064,995**	1,504,536

The annual effective interest rates at the balance sheet dates were as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
Bank borrowings	**5.61%**	6.29%	**4.57%**	4.94%

Since the non-current bank borrowings are at floating interest rates, which equals to Libor plus appropriate credit rating, their carrying amounts approximate their fair value.

The carrying amounts of current borrowings approximate their fair value.

The Group's borrowings at the balance sheet dates were denominated in the following currencies:

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
U.S. Dollar	**1,957,161**	1,504,536	**1,064,995**	1,504,536
Renminbi	**1,828,882**	1,478,419	**—**	—
	3,786,043	2,982,955	**1,064,995**	1,504,536

The Group has undrawn borrowing facilities of RMB400 million as of 31 December 2013 (2012: RMB800 million).

23. Deferred government grants — Group

	2013 RMB'000	2012 RMB'000
Opening net amount at beginning of year	**103,927**	91,899
Additions	**5,818**	15,991
Acquisition of subsidiarles	**14,625**	—
Credited to statement of comprehensive income (Note 25)	**(31,401)**	(3,963)
Closing net amount at end of year	**92,969**	103,927
At end of year		
Cost	**150,879**	130,436
Accumulated amortisation	**(57,910)**	(26,509)
Net book amount	**92,969**	103,927

Analysis of government grants received/receivable by the Group was as follows:

	2013 RMB'000	2012 RMB'000
For acquisition of property, plant and equipment	**16,558**	13,905
For acquisition of land use right	**106,772**	116,532
	123,330	130,436

24. Convertible Bonds

	2013 RMB'000	2012 RMB'000
Non-current		
Convertible Bonds	**—**	779,148
Current		
Convertible Bonds	**837,576**	—
Total Convertible Bonds	**837,576**	779,148

	2013 RMB'000	2012 RMB'000
Convertible Bonds due 2016, liability components	**757,261**	703,684
Fair value of embedded derivatives	**80,315**	75,464
	837,576	779,148

24. Convertible Bonds (Continued)

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

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

(a) Interest rate:

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

(b) Conversion price:

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

(c) Maturity

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

(d) Redemption at the Option of the Company

The Company may:

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

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

24. Convertible Bonds (Continued)

(e) Redemption at the Option of the holders

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

(f) Redemption for Delisting or Change of Control

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

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 31 December 2013	(80,315)
Fair value changes of conversion rights	(4,851)

The fair value change in the conversion right for the year ended 31 December 2013 is RMB4,851,000, 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 year ended 31 December 2013 amounted to RMB111,273,000, 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 year (Note 29)	111,273
Less: Interest payment during the year	(37,075)
Less: Unrealised exchange gain (Note 30)	(20,621)
Liability component as at 31 December 2013	757,261

24. Convertible Bonds (Continued)

(f) Redemption for Delisting or Change of Control (Continued)

As at 31 December 2013, the 2016 Convertible Bonds have been reclassified as current liabilities due to the redemption option of the bond holders on 29 April 2014.

The fair value of the liability component of the 2016 Convertible Bonds at 31 December 2013 amounted to RMB919,467,000. The fair value is calculated using cash flow discounted at a rate of 6.44%.

25. Other income — net

	2013 RMB'000	2012 RMB'000
Government subsidy income	**224,785**	250,817
Net income from sales of materials and scrap	**12,884**	10,511
Amortisation of deferred government grants (Notes 23)	**31,401**	3,963
Gain on disposals of property, plant and equipment and land use rights	**61,995**	2,039
Net income from sales of trucks	**—**	—
Sales of trucks	**44,813**	48,519
Cost of trucks	**(44,813)**	(48,519)
Others	**6,407**	13,032
	337,472	280,362

26. Other gains — net

	2013 RMB'000	2012 RMB'000
Gain on disposal of subsidiaries (Note 38)	**425,928**	70,430

27. Expenses by nature

	2013 RMB'000	2012 RMB'000
Raw materials used in inventories (Note 15)	**2,298,817**	2,174,710
Advertising and other marketing expenses	**830,435**	537,606
Depreciation of property, plant and equipment (Note 8)	**440,746**	362,733
Employee benefit expense (Note 28)	**402,144**	391,404
Water and electricity	**186,665**	200,513
Transportation and related charges	**181,596**	182,489
Impairment loss for trade and other receivables (Note 14)	**74,410**	7,158
Repairs and maintenance	**56,103**	40,704
Impairment loss of inventories	**42,327**	29,734
Transaction costs in relation to business combination (Note 37)	**29,643**	—
City construction tax, property tax and other tax surcharges	**70,537**	55,275
Travelling expense	**21,222**	26,188
Amortization of trade mark and license right (Note 9)	**20,589**	19,348
Office and communication expenses	**20,474**	22,713
Amortization of prepaid operating lease payments (Note 7)	**18,259**	16,206
Rental expenses	**9,143**	10,231
Auditors' remuneration	**5,639**	4,639
Other expenses	**59,564**	42,270
Total cost of sales, selling and marketing and administrative expenses	**4,768,313**	4,123,921

28. Employee benefit expense

	2013 RMB'000	2012 RMB'000
Wages and salaries	**361,105**	356,726
Contributions to pension plan and other benefits	**41,039**	40,541
Share-based payment expenses	**—**	(5,863)
	402,144	391,404

(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 by companies comprising the Group during the year were as follows:

	2013 RMB'000	2012 RMB'000
Salaries, wages and bonuses	**3,560**	3,487
Contributions to pension plan	**29**	73
Welfare and other expenses	**54**	81
	3,643	3,641

The emoluments of the directors were as follows:

	2013			
Name of director	**Salaries, wages and bonuses RMB'000**	**Contributions to pension plan RMB'000**	**Welfare and other expenses RMB'000**	**Total RMB'000**
Zhu Xinli	**1,320**	**—**	**19**	**1,339**
Li Wen-chieh	**800**	**—**	**—**	**800**
Jiang Xu	**480**	**29**	**35**	**544**
Andrew Y. Yan	**—**	**—**	**—**	**—**
Leung Man Kit	**360**	**—**	**—**	**360**
Zhao Yali	**200**	**—**	**—**	**200**
Song Quanhou	**200**	**—**	**—**	**200**
Zhao Chen	**200**	**—**	**—**	**200**

28. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

	2012			
Name of director	Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Welfare and other expenses RMB'000	Total RMB'000
Zhu Xinli	1,327	28	43	1,398
Li Wen-chieh	800	—	—	800
Jiang Xu	480	45	38	563
Andrew Y. Yan	—	—	—	—
Leung Man Kit	180	—	—	180
Zhao Yali	200	—	—	200
Song Quanhou	200	—	—	200
Zhao Chen	100	—	—	100
Qi Daqing	100	—	—	100
Wang Bing	100	—	—	100

None of the directors waived any emoluments during the years ended 31 December 2013 and 2012.

During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2012: nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals	
	2013	2012
Directors	2	3
Other senior management	3	2

28. Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

The five highest paid individuals include two (2012: three) directors whose emoluments were reflected in the analysis presented in Note 27(b). Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries, wages and bonuses	**4,350**	2,623
Contributions to pension plan	**35**	—
Welfare and other expenses	**38**	24
Share-based payment expenses	**—**	—
	4,423	2,647

The emoluments of these members of senior management fell within the following band:

	Number of individuals	
	2013	2012
HK$500,001–HK$1,000,000	**1**	—
HK$1,000,001–HK$1,500,000	**1**	2
HK$2,500,001–HK$3,000,000	**1**	—

29. Finance expenses

	2013 RMB'000	2012 RMB'000
Interest expenses:		
— Bank borrowings	**187,413**	237,989
— Interest expense relating to Convertible Bonds (Note 24)	**111,273**	103,838
Less: Interest capitalised	**(68,016)**	(111,272)
	230,670	230,555
Weighted average effective interest rates used to calculate capitalisation amount	**4.04%**	5.07%

30. Finance income

	2013 RMB'000	2012 RMB'000
Interest income:		
— from bank deposits	**7,572**	12,630
Exchange gain (excluding Convertible Bonds)	**34,509**	598
Exchange gain on liability component of Convertible Bonds (Note 24)	**20,621**	1,525
	62,702	14,753

31. Income tax expense/(credit)

	2013 RMB'000	2012 RMB'000
Deferred income tax credit (Note 11)	**(326)**	(20,795)
Current income tax — PRC enterprise income tax	**83,718**	6,158
	83,392	(14,637)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax	**318,821**	1,522
Tax calculated at the statutory tax rates of 25% (2012: 25%)	**79,705**	381
Tax effect:		
Fair value change in conversion right of Convertible Bonds not subject to tax	**1,213**	(2,686)
Impact of different tax rate	**(689)**	(26,761)
Expense not deductible for tax purpose	**1,534**	2,181
Tax losses for which no deferred income tax asset was recognised	**24,763**	23,300
Tax losses used in current year which no deferred income tax asset was recognised in prior year	**(23,134)**	(11,052)
Income tax expense/(credit)	**83,392**	(14,637)

31. Income tax expense/(credit) (Continued)

(a) The significant change in weighted average income tax rate amongst the years ended 31 December 31 2013 and 2012 was mainly attributable to the loss of the Company arising from the change in fair value of Convertible Bonds and the transaction costs in relation to business combination. As the Company is exempted from Cayman Islands income tax under the Companies Law of Cayman Islands, such fair value loss is not deductible for income tax purposes.

(b) Cayman Islands income tax

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(c) British Virgin Islands (B.V.I.) Income tax

Some of the subsidiaries are incorporated in B.V.I. as an exempted company with limited liability under the Companies Law of B.V.I. and accordingly, is exempted from B.V.I. income tax.

(d) Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong.

(e) 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 year ended 31 December 2012 and 2013 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.

(f) According to Enterprise Income Tax Law approved by National People's Congress (NPC) on March 16, 2007, the Group's business related to processing of agricultural products enjoys duty free policy from government after approval of the local competent tax authorities.

32. Earnings per share

(a) Basic

On 21 October 2013, the Company issued 655,326,877 convertible preference shares (Note 18).

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and convertible preference shares outstanding during the year.

	2013 RMB'000	2012 RMB'000
Profit attributable to equity holders of the Company		
Basic earnings attributable to ordinary shares	**211,297**	16,159
Basic earnings attributable to convertible preference shares	**17,166**	—
	228,463	16,159

	Ordinary shares		Convertible preference shares	
	2013	2012	2013	2012
Weighted average number of shares outstanding for basic earnings per share (thousands)	**1,569,076**	1,477,953	**127,475**	—

32. Earnings per share (Continued)

(a) Basic (Continued)

	2013	2012
Basic earnings per ordinary share (RMB cents)	**13.5**	1.1
Basic earnings per convertible preference share (RMB cents)	**13.5**	—

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares and convertible preference 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. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) 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 exercise of the share options.

For the purpose of calculating diluted earnings per share for the years ended 31 December 2013 and 2012:

(a) the Convertible Bonds are assumed to have been converted into ordinary shares with the impact of interest expense of, unrealised exchange gain of and fair value changes of conversion rights of the Convertible Bonds. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted earnings per share for the years ended 31 December 2013 and 2012;

(b) the share options are assumed to have been exercised with no corresponding change in profit attributable to equity holders of the Company. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted earnings per share for the years ended 31 December 2013 and 2012.

33. Dividends

The board has resolved not to recommend the payment of any final dividend for the years ended 31 December 2013.

34. Notes to consolidated cash flow statement

	2013 RMB'000	2012 RMB'000
Profit before income tax	318,821	1,522
Adjustments for:		
— Share-based payment expenses (Note 28)	—	(5,863)
— Fair value changes of convertible right of Convertible Bonds (Note 24)	4,851	(10,742)
— Amortisation of deferred government grants (Note 23)	(31,401)	(3,963)
— Depreciation of property, plant and equipment (Note 8)	440,746	362,733
— Amortisation of trademark and license right (Note 9)	20,589	19,348
— Amortisation of land use rights (Note 7)	18,259	16,206
— Impairment loss of inventory (Note 15)	42,327	29,734
— Provision for trade and other receivables (Note 14)	74,410	7,158
— Gain on disposal of property, plant and equipment and land use rights (Note 25)	(61,995)	(2,039)
— Gain on disposal of LUR agreement	—	(4,210)
— Interest income from bank deposits (Note 30)	(7,572)	(12,630)
— Interest expense relating to Convertible Bonds (Note 29)	111,273	103,838
— Interest expense (Note 29)	119,397	126,717
— Gain on disposal of subsidiaries (Note 38)	(425,928)	—
— Gain on disposal of an associate	—	(70,430)
— Share of loss of associates (Note 13)	7,332	1,055
— Exchange gains on Convertible Bonds (Notes 24, 30)	(20,621)	(1,525)
— Exchange loss/(gain) (excluding Convertible Bonds) (Note 30)	(34,509)	(598)
	575,979	556,311
Changes in working capital:		
— Inventories	513,633	(485,387)
— Trade and other receivables	626,185	(195,394)
— Trade and other payables	(717,384)	548,446
— Deferred revenue	(40,385)	(24,583)
Cash generated from operations	958,028	399,393

(a) Non-cash transactions

The principal non-cash transactions include:

(a) The purchase of property, plant and equipment amounting to RMB130,342,000 and RMB74,567,000 have not been settled as at 31 December 2013 and 2012;

(b) The issue of ordinary shares and convertible preference shares as consideration for the business combination discussed in Note 37.

(c) The remaining consideration resulting from disposal of subsidiaries amounting to RMB45,000,000 have not been collected as at 31 December 2013 (Note 38).

35. Contingencies

As at 31 December 2013, the Group did not have any material contingent liabilities.

36. Commitments

(a) Capital commitments

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

	2013 RMB'000	2012 RMB'000
Purchase of property, plant and equipment	**83,327**	128,106

(b) Operating lease commitments

The Group leases various offices, warehouses 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

	2013 RMB'000	2012 RMB'000
No later than 1 year	**2,000**	4,000
Later than 1 year and no later than 5 years	**4,000**	4,000
	6,000	8,000

37. Business combinations

On 21 October 2013, the Group acquired 100% of the share capital of China Huiyuan Industry Holding Limited (the "Acquiree"), which is one of the leading producers of fruit juice concentrates and purees in China, at a total consideration of approximately RMB5,966,491,000.

37. Business combinations (Continued)

After the completion of the acquisition, the Group becomes a vertically integrated business with operations along the value chain from fruit processing to sales and marketing of Juice and other beverage products. The goodwill of RMB3,775,513,000 arising from the acquisition is attributable to: (1) the customer relationships between the Group and the Acquiree, which have not met the criteria for recognition as an intangible asset; (2) synergies resulting from cost savings, securing continued access to key raw materials and improving the stability of product quality; and (3) the Acquiree's workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of the Acquiree, the fair value of assets acquired and liabilities assumed at the acquisition date.

	At 21 October 2013 RMB'000
Consideration	
Equity instruments (447,322,020 ordinary shares and 655,326,877 convertible preference shares)	4,763,992
Liabilities of the Acquiree assumed by the Company	1,202,499
Total consideration	5,966,491
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	45,952
Land use rights (Note 7)	386,156
Property, plant and equipment (Note 8)	1,079,913
Intangible assets (Note 9)	415
Contractual customer relationship (included in intangible assets) (Note 9)	33,630
Inventories	271,029
Trade and other receivables	1,048,289
Trade and other payables	(407,961)
Borrowings	(242,131)
Deferred government grant (Note 23)	(14,625)
Deferred income tax liabilities (Note 11)	(9,689)
Total identifiable net assets	2,190,978
Goodwill (Note 9)	3,775,513
	5,966,491

37. Business combinations (Continued)

Acquisition-related costs of RMB29,643,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2013.

The fair value of the 447,322,020 ordinary shares and 655,326,877 convertible preference shares issued as part of the consideration paid for the acquisition of the Acquiree (HK$6,020,463,000, equivalent to approximately RMB4,763,992,000) was based on the published share price on 21 October 2013. No issuance costs were incurred.

The fair value of trade and other receivables is RMB1,048,289,000 which includes trade receivables with a fair value of RMB246,662,000. As at 31 December 2013, none of trade and other receivables are expected to be uncollectible.

The revenue included in the consolidated statement of comprehensive income since 21 October 2013 contributed by the Acquiree was RMB41,572,000 after elimination of intra-group sales. The Acquiree's contribution of profit was RMB78,346,000 over the same period.

Had the Acquiree been consolidated from 1 January 2013, the consolidated statement of comprehensive income for the year ended 31 December 2013 would show pro-forma revenue of RMB4,597,163,000 and profit of RMB295,134,000, which are calculated by aggregating the financial information of the Acquiree and the Group and after intra-group eliminations.

38. Disposal of subsidiaries

(a) 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 have been transferred to Chengdu President and Uni-Present China respectively, for a total cash consideration of RMB300,000,000.

38. Disposal of subsidiaries (Continued)

(a) (Continued)

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

	2013 RMB'000
Consideration satisfied by	
Cash	285,000
Consideration receivable	15,000
	300,000
Gain on disposal of the subsidiary	
Total consideration	300,000
Carrying value of the subsidiary disposed — shown as below	(62,514)
	237,486

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

	Carrying value RMB'000
Property, plant and equipment	47,381
Land use rights	15,133
Trade and other receivables	7,955
Cash and cash equivalents	3,056
Trade and other payables	(11,011)
Carrying value of the subsidiary disposed	62,514
Inflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	285,000
Cash and cash equivalents in the subsidiary disposed	(3,056)
Cash inflow on the disposal during the year	281,944

As at 31 December 2013, the Group has collected RMB285,000,000 from the Acquirers, the remaining consideration amounting to RMB15 million has been included in other receivables, and subsequently received by the Group in February 2014.

38. Disposal of subsidiaries (Continued)

(b) On 19 August 2013, the Group entered into an agreement with Sichuan Yongjing Investment & Industrial Co., Ltd. ("Sichuan Yongjing Group"), to transfer its entire equity interests in Chengdu Huifu Real Estate Co., Ltd. ("Huifu"), an indirect wholly-owned subsidiary of the Company, to Sichuan Yongjing, for a total cash consideration of RMB350,000,000.

	2013 RMB'000
Consideration satisfied by	
Cash	320,000
Consideration receivable	30,000
	350,000
Gain on disposal of the subsidiary	
Total consideration	350,000
Carrying value of the subsidiary disposed — shown as below	(161,558)
	188,442

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

	Carrying value RMB'000
Property, plant and equipment	33,337
Land use rights	128,186
Cash and cash equivalents	35
Carrying value of the subsidiary disposed	161,558
Inflow of cash to dispose the subsidiary, net of cash disposed	
Proceeds received in cash	320,000
Cash and cash equivalents in the subsidiary disposed	(35)
Cash inflow on the disposal during the year	319,965

As at 31 December 2013, the Group has collected RMB320,000,000 from Sichuan Yongjing Group, which represents 91% of the total consideration. The remaining consideration amounting to RMB30 million has been included in other receivables as at 31 December 2013.

39. Related-party transactions

The ultimate controlling party of the Group is Mr. Zhu Xinli, the Chairman and Executive director of the Company.

Parties are considered to be related if one party has the ability, directly or indirectly, 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 year, 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:

Continuing transaction

	2013 RMB'000	2012 RMB'000
Sales of goods and services		
Sales of products to an associate	80,914	83,156
Sales of recyclable containers to companies beneficially owned by Mr. Zhu Xinli	31,210	44,619
	112,124	127,775
Purchase of materials and services		
Purchase of raw materials from companies beneficially owned by Mr. Zhu Xinli	504,853	1,249,495
	504,853	1,249,495
Key management compensation		
Salaries, wages and bonuses	9,413	8,753
Contributions to pension plan	155	368
Welfare and other expenses	195	472
Share option expenses	—	(5,863)
	9,762	3,730

In the year of 2012 and 2013, 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 company beneficially owned by Mr. Zhu Xinli, at nil cost.

39. Related-party transactions (Continued)

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

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

Discontinued transactions

	2013 RMB'000	2012 RMB'000
Sales of goods and services		
Sales of raw materials to related parties	**4,898**	1,355

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

	2013 RMB'000	2012 RMB'000
Trade receivables (Note 14(a))	**60,820**	8,886
Other balance due from related parties	**23,936**	3,510
Trade payables (Note 21(a))	**—**	890,780
Other balance due to related parties	**4,035**	39,821

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

40. Events after the balance sheet date

There were no significant events after 31 December 2013.

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", "Huiyuan", "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
"Director(s)"	the director(s) of the Company
"Financial Management and Audit Committee"	the financial management and audit committee of the Company as set up by the Board on 21 September 2006
"Group" or "Huiyuan Juice"	the Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or the businesses operated by the present subsidiaries or (as the case may be) its predecessor
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited (as amended from time to time)
"Huiyuan Holdings"	Huiyuan International Holdings Limited (滙源國際控股有限公司), a company incorporated in the BVI
"Huiyuan Industry"	China Huiyuan Industry Holding Limited, a company incorporated in the BVI,

Glossary of Terms (Continued)

"Listing Date"	23 February 2007 being the date on which dealings in the shares of the Company first commence on the Hong Kong Stock Exchange
"Ordinary Shares" or "Shares"	Ordinary shares of US$0.00001 each in the share capital of the Company
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted pursuant to written resolution passed by the sole shareholder on 30 January 2007, the principal terms of which are summarized in the section headed "Pre-IPO Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"Prospectus"	the prospectus issued by the Company on 8 February 2007 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Company as set up by the Board on 21 September 2006
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SAIF"	Sino Fountain Limited, a company incorporated in the British Virgin Islands which is indirectly wholly owned by Mr. Andrew Y. Yan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 30 January 2007, the principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"United States"	The United States of America
"United States Dollar" or "US$" 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.