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CHINA HUIYUAN JUICE GROUP LIMITED

中國滙源果汁集團有限公司*

(於開曼群島註冊成立之有限公司)

(股份代號：1886)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第13.10B條作出。

茲提述中國滙源果汁集團有限公司(「**本公司**」)日期為二零一五年六月三十日有關債券發行的公告(「**該公告**」)。除另有界定者，本公告所用詞彙與該公告所界定者具相同涵義。

請參閱隨附日期為二零一五年六月三十日有關債券發行的發售備忘錄(「**發售備忘錄**」)，該發售備忘錄已於二零一五年七月七日於愛爾蘭證券交易所的網站發佈。

於聯交所網站登載發售備忘錄，僅為向香港投資者進行同等的資訊傳達及遵守上市規則第13.10B條的規定，此外並無任何其他目的。

發售備忘錄並不構成向任何司法管轄權區之公眾要約出售任何證券的發售章程、通告、通函、宣傳冊或廣告，亦不構成對公眾認購或購買任何證券的要約邀請，亦不被視為邀請公眾作出認購或購買任何證券的要約。發售備忘錄不得被視為對認購或購買本公司任何證券的勸誘，亦無意進行有關勸誘。投資決策不應以發售備忘錄所載之資訊為基準。

承董事會命
中國滙源果汁集團有限公司
主席
朱新禮

香港，二零一五年七月七日

於本公告日期，本公司董事包括執行董事朱新禮先生、朱聖琴女士及崔現國先生；非執行董事閻焱先生；獨立非執行董事趙亞利女士、宋全厚先生、梁民傑先生及趙琛先生。

* *僅供識別*

IMPORTANT NOTICE

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THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The attached document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The attached document has been prepared on the basis that all offers of the securities described herein made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

CONFIRMATION AND YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES, INVESTORS MUST BE (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES. BY ACCEPTING THE ELECTRONIC TRANSMISSION AND ACCESSING THE ATTACHED DOCUMENT, YOU SHALL BE DEEMED TO HAVE REPRESENTED TO ABCI CAPITAL LIMITED, CITIGROUP GLOBAL MARKETS LIMITED AND BANK OF CHINA LIMITED (COLLECTIVELY, THE "INITIAL PURCHASERS") THAT (1) YOU ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (2) THAT YOU CONSENT TO DELIVERY OF SUCH DOCUMENT BY ELECTRONIC TRANSMISSION.

The communication of the attached document and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession the attached document may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the attached document to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

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You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING MEMORANDUM

China Huiyuan Juice Group Limited

(incorporated in the Cayman Islands with limited liability)

€200,000,000

1.55% Credit Enhanced Bonds due 2018

with the benefit of an irrevocable Standby Letter of Credit provided by

Agricultural Bank of China Limited New York Branch

Issue Price: 99.916%

The 1.55% Credit Enhanced Bonds due 2018 in the aggregate principal amount of €200,000,000 (the "Bonds") will be issued by China Huiyuan Juice Group Limited (the "Company"). Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in Euro and issued by Agricultural Bank of China Limited New York Branch (the "LC Bank"), a form of which is attached hereto as Appendix A.

Interest on the Bonds is payable annually in arrear in each year, with the first interest payment date on July 7, 2016. Payments on the Bonds will be made without deduction for or on account of taxes of the Cayman Islands, the British Virgin Islands, Hong Kong or the People's Republic of China to the extent described under "Terms and Conditions of the Bonds—Taxation."

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on July 7, 2018. The Bonds are subject to redemption, in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of the Cayman Islands, the British Virgin Islands, Hong Kong or the People's Republic of China. At any time following the occurrence of a Change of Control (as defined herein), the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all, but not some, of that holder's Bonds at 100% of their principal amount, together with accrued interest to but excluding the Change of Control Put Date (as defined herein). See "Terms and Conditions of the Bonds—Redemption and Purchase."

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 36.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 13.

The Bonds and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Standby Letter of Credit are being offered only outside the United States in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letter of Credit and the distribution of this offering memorandum, see "Subscription and Sale."

Application has been made to the Irish Stock Exchange plc for the approval of this document as Listing Particulars ("Listing Particulars"). Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market of the Irish Stock Exchange is not a regulated market for the purposes of Directive 2004/39/EC, as amended.

The Company accepts full responsibility for the information contained in this Listing Particulars. To the best of knowledge of the Company, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Bonds are expected to be rated "A1" by Moody's Investors Services, Inc. ("Moody's"). Such rating of the Bonds does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by Moody's. Such rating should be evaluated independently of any other rating of the Company or the LC Bank or any other securities of the Company or the LC Bank.

The Bonds will initially be represented by a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about July 7, 2015 (the "Issue Date") with, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

ABC International **Citigroup**

Joint Lead Managers and Joint Bookrunners

ABC International **Citigroup** **Bank of China**

The date of this offering memorandum is June 30, 2015.

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This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Bonds made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Bonds.

The communication of this offering memorandum and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED ACTING IN ITS CAPACITY AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE BONDS IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE BONDS. AS A RESULT, THE PRICE OF THE BONDS MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum, the Bonds and the Standby Letter of Credit that is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Bonds and the Standby Letter of Credit the omission of which would, in the context of the issue and offering of the Bonds, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

We are providing this offering memorandum solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this offering memorandum before making a decision whether to purchase the Bonds. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under "Subscription and Sale" below.

No representation or warranty, express or implied, is made by ABCI Capital Limited, Citigroup Global Markets Limited and Bank of China Limited, as initial purchasers of the Bonds (the "Initial Purchasers"), or Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch AG (the "Principal Paying Agent" and "Transfer Agent") or Citigroup Global Markets Deutschland (the "Registrar") or any of their respective affiliates, directors, officers, employees or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar has independently verified any of the information contained in this offering memorandum, and to the fullest extent permitted by law, assume no responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by any Initial Purchaser or on its behalf in connection with the Company or the issue and offering of the Bonds. The Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent or the Registrar that any recipient of this offering memorandum should purchase the Bonds.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Bonds or the Standby Letter of Credit (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The Bonds and the Standby Letter of Credit have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell any securities, including the Bonds and the Standby Letter of Credit, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities described herein, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Bonds and the Standby Letter of Credit, and distribution of this offering memorandum, see "Subscription and Sale" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Bonds.

We reserve the right to withdraw the offering of Bonds at any time, and the Initial Purchasers reserve the right to reject any commitment to purchase the Bonds in whole or in part and to allocate to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Bonds.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," and words of similar import, we are referring to China Huiyuan Juice Group Limited itself, or China Huiyuan Juice Group Limited and its consolidated subsidiaries, as the context requires, which include, among others, the Acquired Group (as defined below) after completion of the 2013 Acquisition (as defined below).

In this offering memorandum, references to:

"100% juices"	are to pure juices manufactured from 100% pure fruit or vegetable juice concentrate(s)
"2011 Convertible Bonds"	are to the convertible bonds due April 29, 2016 with a face value of US$150.0 million and an interest rate of 4.0% *per annum* we issued on April 29, 2011
"2013 Acquisition"	are to the acquisition by the Company of the Acquired Business completed on October 21, 2013
"2014 Convertible Bonds"	are to the convertible bonds due April 30, 2019 with a face value of US$150.0 million and an interest rate of 4.0% *per annum* we issued on March 31, 2014
"Acquired Business" or "Acquired Group"	are to China Huiyuan Industry Holding Limited and its subsidiaries
"ASP"	are to average selling price which is based on our unaudited internal management records and derived by dividing revenue from sales of products by the total sales volume in a given period
"carbonates"	are to an effervescent drink that releases carbon dioxide under conditions of normal atmospheric pressure
"concentrate"	are to either of two types of concentrates, i.e., liquid concentrates or powder concentrates. Liquid concentrates are concentrates and syrups (otherwise known as squashes or dilutables) that are diluted with water before consumption, based on a fruit juice, cola or other type of concentrate. Powder concentrates are concentrates (including granules and blocks/bars/cubes) that are also diluted with water before consumption
"EIT Law"	are to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"juice drinks"	are to all juice products made up of fresh fruit or vegetable juice concentrates, with fruit or vegetable content not exceeding 25%
"juices"	are to the liquids pressed or extracted from one or more kinds of fruit or vegetable (e.g., orange, apple and carrot juice), puree of the edible portions of the fruit or vegetable that is used as a beverage (e.g., banana puree or peach puree), or any concentrate of such liquid or purees (e.g., grape juice concentrates or grapefruit juice concentrates)

“Nielsen”	is a market research report from Nielsen’s research on China’s fast moving consumer goods and juice market in 2014
“nectars”	are to juices manufactured using a base of concentrate(s) or a pasteurized puree of the fruit pulp, to which sugar and water can be added. The vegetable/fruit content of nectars is usually between 26% and 99%
“OEM”	are to an original equipment manufacturer
“PBOC”	are to the People’s Bank of China (中國人民銀行), the central bank of China
“PET”	are to polyethylene terephthalate, a strong but lightweight form of clear polyester used to make containers for soft drinks, juices, alcoholic drinks, water, edible oils, household cleaners and other food and non-food applications
“ready-to-drink tea”	are to non-carbonated, packaged, ready-to-drink tea
“SAFE”	are to the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“ton”	a metric ton, a measurement of mass equal to 1,000 kilograms

In this offering memorandum, all references to “US$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); all references to “CNY,” “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”); and all references to “EUR,” “Euro” or “€” are to euro, which means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended from time to time.

Market data and the PRC juice industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Some of such data and statistics concerning 2014 are sourced from Nielsen and partially derived from Nielsen’s research on retail data in China’s fast moving consumer goods and juice market in 2014 (©, 2015, Nielsen). Any information sourced from third parties contained in this offering memorandum has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors, employees and advisors, and neither we, the Initial Purchasers nor our or their directors, employees and advisors make any representation as to, and to the fullest extent permitted by law, assume any responsibility for the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC juice industry statistics.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.2046 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2014, and all translations from Euro into U.S. dollars were made at the rate of €1.00 to US$1.2101, the noon buying rate in New York City for cable transfers payable in Euro as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2014. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

References to "PRC" and "China," in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC government" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with International Financial Reporting Standards (the "IFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2012," "2013" and "2014" in this offering memorandum are to our financial years ended December 31, 2012, 2013 and 2014, respectively.

In this offering memorandum, unless the context otherwise requires, all references to "affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Hong Kong Listing Rules, which includes: (i) a "subsidiary undertaking" as defined in the twenty-third schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong); (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to Hong Kong Financial Reporting Standards (the "HKFRS") or IFRS, as applicable; and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or IFRS, as applicable; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power; (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power; and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to such rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements." All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "anticipate," "seek," "should," "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the industries in which we operate;
- industry risks;
- our financial condition;
- our ability to successfully integrate the Acquired Business;
- fluctuations in the price of our raw materials;
- the achievement of our expansion plans;
- our ability to maintain our established market position;
- availability and costs of bank loans and other forms of financing;
- demand for our products;
- changes in competitive conditions and our ability to compete under those conditions;
- the regulatory environment of our industry in general; and
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the markets where we operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering memorandum, including "Risk Factors" and our audited consolidated financial statements and related notes thereto, before making an investment decision.

OVERVIEW

We are a leading fruit and vegetable juice producer in China in terms of both sales revenue and sales volume according to Nielsen. With more than 22 years of leadership in the PRC fruit and vegetable juice industry, we have established an iconic and leading national brand which is widely recognized among Chinese consumers. We believe that we are uniquely positioned in the PRC fruit and vegetable juice industry with a vertically integrated business model which covers operations along the value-chain, from fruit-processing to juice production to sales and marketing. As of December 31, 2014, we produced a wide variety of fruit juices, vegetable juices, mixed fruit and vegetable juices and other beverages at 36 downstream bottling plants in China. We also produced fruit juice concentrates and purees and packaging materials at 12 upstream bases strategically located in China. We offered over 200 beverage products, with a selection of different fruit flavors and packaging sizes and types.

We categorize our juice products into three categories based on juice concentration levels: 100% juices, nectars and juice drinks. According to Nielsen, in 2014, we had a market share of 56.5% in the 100% juice market, 42.7% in the nectar market and 2.1% in the juice drinks market, each by sales volume in China. This ranked us as the number one 100% juice producer and the number one nectar producer by sales volume in China in 2014.

According to Nielsen, the 100% juice market segment was the fastest-growing among the various segments of the PRC fruit and vegetable juice industry in 2014. With increasing health and wellness awareness, rising disposable income and increasingly fast-paced lifestyles of Chinese consumers and the development of new sales and distribution channels, the 100% juice and nectar market segments of the PRC fruit and vegetable juice industry are expected to continue to experience rapid growth. We believe we are well positioned to leverage our strong market position and brand recognition to capitalize on the changing trends in the food industry and future growth opportunities.

On October 21, 2013, we completed the acquisition of China Huiyuan Industry Holding Limited, a leading producer of fruit juice concentrates and purees in China and one of the largest suppliers of such key raw materials for our juice production, from Mr. Zhu Xinli, our chairman and executive director. The 2013 Acquisition was of strategic significance to us, as it transformed us into a vertically integrated business with secure and long-term access to key raw materials. We believe it will also improve our quality and food safety controls, further diversify our revenue and profits, increase our business transparency by significantly reducing connected transactions, improve our operational efficiency and generate other potential synergies.

In March 2014, we entered into equity transfer agreements to acquire the entire equity interest in Suntory Foods and a 50% equity interest in Suntory Trading to establish a strategic partnership with Suntory China for the sale and development of Suntory branded products in China. As a result, we now have in our product portfolio new types of drink that we did not have before, including, for example, teas, coffee, flavored water and functional drinks. We believe these new products complement our existing offerings of core juice-based products.

In 2012, 2013 and 2014, our revenue was RMB3,980.8 million, RMB4,503.9 million and RMB4,592.1 million, respectively. We recorded a profit for the year attributable to equity holders of our Company of RMB16.2 million and RMB228.5 million in 2012 and 2013, respectively, and a loss for the year attributable to equity holders of our Company of RMB126.8 million in 2014.

RECENT DEVELOPMENT

On June 18, 2015, we entered into an agreement with Beijing Founder Fubon Financing Asset Management Co. Ltd. ("Founder Fubon"), an independent third party, whereupon one of our wholly owned subsidiaries agreed to sell, and Founder Fubon agreed to purchase, the entire equity interest in certain of our indirectly wholly owned subsidiaries for RMB1,812 million, subject to certain conditions. These subsidiaries are primarily engaged in the manufacture, processing and sale of fruit juice, beverage products and bottled water. With this transaction, we expect to realize an unaudited gain of approximately RMB216 million (on an after-tax basis). We do not expect this sale to result in any material adverse impact on our overall financial performance and operations. The sale is part of our overall transformation into smart and intelligent plants with increased production, reduced consumption, enhanced equipment utilization and greater operational efficiency. We believe that such transaction will enable us to optimize our capital structure, increase our cash reserves, reduce our fixed costs and enhance our overall profitability.

OUR COMPETITIVE STRENGTHS

We believe our success to date and potential for future growth can be attributed to a number of key strengths, including the following:

- an iconic and leading juice brand in China with a long operating history;
- vertically integrated business model;
- strong core product portfolio supported by solid research and development capabilities;
- strategically located manufacturing facilities;
- extensive nationwide sales and distribution network;
- strong financing sources and diversified funding channels; and
- highly experienced and motivated management with proven track record.

OUR STRATEGIES

We intend to continue to strengthen and grow our business through the following strategies:

- continue to expand and streamline sales and distribution channels;
- enhance brand image and market positioning through focused measures and promotions;
- streamline existing product portfolio and develop new products;
- continue to expand into relatively under-penetrated regions and innovative distribution channels; and
- increase operating, supply chains and financial efficiency.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on September 14, 2006 as an exempted company with limited liability. Our Shares have been listed on the Hong Kong Stock Exchange since February 23, 2007 under stock code 1886. Our principal place of business in the PRC is located at Huiyuan Road, Beixiaoying Town, Shunyi District, Beijing, PRC. Our principal place of business in Hong Kong is located at Edinburgh Tower, 33/F, The Landmark, 15 Queen's Road Central, Hong Kong. Our registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. Our website is www.huiyuan.com.cn. Information contained on any website referred to herein does not constitute part of this offering memorandum.

THE ISSUE

The following is a summary of the terms and conditions of the Bonds and is qualified in its entirety by the remainder of this offering memorandum. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this offering memorandum.

Issuer	China Huiyuan Juice Group Limited.
Issue	€200,000,000 1.55 per cent. Credit Enhanced Bonds due 2018.
Issue Price	99.916 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Interest	The Bonds will bear interest from and including July 7, 2015 at the rate of 1.55 per cent. per annum, payable annually in arrear on July 7 in each year, commencing July 7, 2016.
Issue Date	July 7, 2015.
Maturity Date	July 7, 2018.
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Standby Letter of Credit	The Bonds have the benefit of the Standby Letter of Credit, issued in favor of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by or on behalf of the Trustee or an agent of the Trustee to the LC Bank (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead arrange for a demand to be physically presented at the counter of the LC Bank during the LC Bank's normal branch opening hours) to the effect that (i) the Issuer has failed to comply with Condition 3(b) of the Conditions in relation to pre-funding an amount that is payable under the Conditions and/or failed to provide the Required Confirmations in

	accordance with Condition 3(b) or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and all other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer. After receipt by the LC Bank of a Demand by 11:00 a.m. (New York City time) on a Business Day, the LC Bank shall by 11:00 a.m. (New York City time) on the second Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (New York City time) on a Business Day, by 11:00 a.m. (New York City time) on the third Business Day immediately following receipt of such Demand), pay to or to the order of the Trustee the amount in Euro specified in the Demand (as defined below) to the Euro account established in the name of the Trustee with the LC Proceeds Account Bank (the "**LC Proceeds Account**"). The liability of the LC Bank under the Standby Letter of Credit shall be expressed and payable in Euro and shall not, in aggregate, exceed the lesser of (A) €220 million and (B) the sum of (in Euro) (i) the aggregate principal amount of €200,000,000 of Bonds plus (ii) interest payable in accordance with the Conditions plus (iii) any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer in connection with the Bonds, the Trust Deed and/or the Agency Agreement plus (iv) any additional amounts payable by the LC Bank under the Standby Letter of Credit as a result of any deduction or withholding on account of tax, set-off or otherwise (the "**Aggregate Liability Limit**"). The Standby Letter of Credit takes effect from July 7, 2015 and shall remain valid and in full force until 5:00 p.m. (New York City time) on August 6, 2018. For the purposes of the Standby Letter of Credit, "Business Day" means a day (other than a Saturday or a Sunday or a public holiday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System (and any successor thereof) is operating and banks are open for business in Hong Kong, London and New York City.
Pre-funding	In order to provide for the payment of any amount in respect of the Bonds (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the "**Pre-funding Date**") falling ten Business Days prior to the due date for such payment under these Conditions: (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

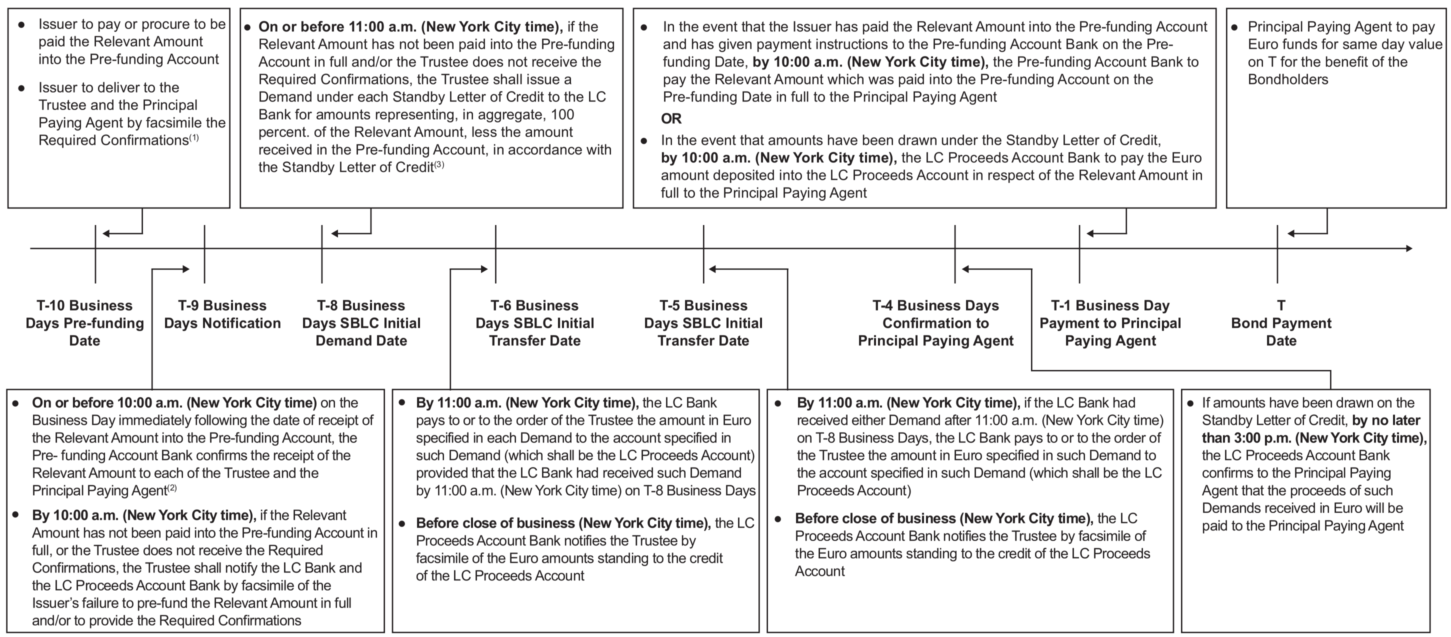
	(ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorized Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which has been paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (New York City time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").
	If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (New York City time) on the Business Day immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with these Conditions and shall by no later than 11:00 a.m. (New York City time) on the second Business Day following the Pre-funding Date issue a demand notice under the Standby Letter of Credit to the LC Bank for amounts representing, in aggregate, 100 per cent. of the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, amounts representing, in aggregate, 100 per cent. of the difference between (x) the full amount of the Relevant Amount and (y) the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "**Demand**"), provided that the Trustee need not physically present such Demand to the LC Bank and shall be entitled to submit such Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead arrange for a Demand to be physically presented at the counter of the LC Bank during the LC Bank's normal branch opening hours). After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (New York City time) on the second Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (New York City time) on a Business Day, the third Business Day immediately following receipt of such Demand), pay to or to the order of the Trustee the amount in Euro specified in the Demand to the LC Proceeds Account. Any such Demand will be subject to the Aggregate Liability Limit.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Conditions.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and

	clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the British Virgin Islands, Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as described in Condition 8. Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including 10 per cent., the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that any such PRC deduction or withholding is in excess of 10 per cent. or any Cayman Islands, British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall, subject to the limited exceptions specified in Condition 8, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes of any of the Cayman Islands, the British Virgin Islands, Hong Kong or the PRC, as further described in Condition 6(b) of the Conditions.
Redemption for Change of Control	The Bonds may be redeemed in whole, but not in part, at the option of the Bondholders equal to 100 per cent. of the principal amount, together with accrued interest to but excluding the Change of Control Put Date (as defined in the Conditions)), upon the occurrence of a Change of Control, as further described in Condition 6(c) of the Conditions.
Clearing Systems	The Bonds will be represented initially by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as

	described in this offering memorandum, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
Common Code	125008135
ISIN	XS1250081350
Governing Law	English law.
Trustee	Citicorp International Limited.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Pre-Funding Account Bank and the LC Proceeds Account Bank	Citibank, N.A., Hong Kong Branch.
Listing	Application has been made to the Irish Stock Exchange plc for the approval of this document as Listing Particulars ("Listing Particulars"). Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC, as amended.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to Condition 13 of the Conditions. However, such further securities may only be issued if (i) the Rating Agency has been informed of such issue; (ii) such issue will not result in any change in the then credit rating of the Bonds and (iii) a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and interest payments due on such further securities) and (iv) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental or replacement or amended standby letter of credit.
Use of Proceeds	See "Use of Proceeds."

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with the "Terms and Conditions of the Bonds," the Trust Deed and the Agency Agreement referred therein and "Appendix 1—Form of Standby Letter of Credit." Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.



Notes:

(1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorized Signatory of the Issuer; and (b) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which has been paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (New York City time) on the Business Day immediately preceding the due date for such payment.

(2) The confirmation from the Pre-funding Account Bank to each of the Trustee and the Principal Paying Agent shall be by way of facsimile or such other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.

(3) The Trustee need not physically present such Demands to the LC Bank and shall be entitled to submit such Demands by authenticated SWIFT. In the event that the SWIFT system is not available for any reason, the Trustee may instead arrange for each Demand to be physically presented at the counter of the LC Bank during the LC Bank's normal branch opening hours.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following summary consolidated financial information (except for EBITDA data or as otherwise indicated in the tables below) as of and for each of the years ended December 31, 2012, 2013 and 2014 has been derived from our consolidated financial statements for the years ended December 31, 2013 and 2014, which have been audited by PricewaterhouseCoopers, our independent auditor, and are included elsewhere in this offering memorandum. Our consolidated financial information has been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. We completed the 2013 Acquisition in October 2013 and have since then consolidated the financial results of the Acquired Group in our audited consolidated financial statements as of and for the year ended December 31, 2013. However, financial results of the Acquired Group prior to the completion of 2013 Acquisition are not included in our consolidated financial statements in prior periods. As such, our financial information as of and for the years ended December 31, 2013 and 2014 may not be comparable to that as of and for the year ended December 31, 2012. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	For the year ended December 31,			
	2012	2013	2014	2014
	(RMB)	(RMB)	(RMB)	(USD) (unaudited)
	(in thousands, except for percentages)			
Revenue	3,980,766	4,503,885[1]	4,592,050	740,104
Cost of sales	(2,865,608)	(3,105,553)	(2,997,970)	(483,185)
Gross profit	1,115,158	1,398,332	1,594,080	256,919
Selling and marketing expenses	(980,561)	(1,248,886)	(1,395,694)	(224,945)
Administrative expenses	(277,752)	(413,874)	(508,275)	(81,919)
Other income-net	280,362	337,472	105,102	16,939
Other gains-net	70,430	425,928	151,004	24,337
Finance expenses	(230,555)	(230,670)	(318,622)	(51,353)
Finance income	14,753	62,702	28,495	4,593
Unrealized gain/(loss) from change of fair value of Convertible Bonds	10,742	(4,851)	308,644	49,744
Loss on early redemption of convertible bonds	—	—	(65,776)	(10,601)
Share of loss of investments accounted for using the equity method	(1,055)	(7,332)	(3,343)	(539)
Profit/(loss) before income tax	1,522	318,821	(104,385)	(16,824)
Income tax credit/(expense)	14,637	(83,392)	(22,623)	(3,646)
Profit/(loss) for the year	16,159	235,429[1]	(127,008)	(20,470)
Attributable to:				
—Equity holders of the Company	16,159	228,463	(126,768)	(20,431)
—Non-controlling interests	—	6,966	(240)	(39)
Profit/(loss) for the year	16,159	235,429[1]	(127,008)	(20,470)
Other financial data (unaudited)				
EBITDA[2]	604,869	971,234	513,970	82,837
EBITDA margin[3]	15.2%	21.6%	11.2%	11.2%

	For the year ended December 31,			
	2012	2013	2014	2014
	(RMB)	(RMB)	(RMB)	(USD) (unaudited)
	(in thousands, except for percentages)			
Total debt	3,762,103	4,623,619	4,318,831	696,069
Net debt[(4)]	3,240,976	3,686,198	3,624,458	584,157
Total debt/EBITDA	6.2	4.8	8.4	8.4
Net debt/EBITDA	5.4	3.8	7.1	7.1
EBITDA/Financial Expenses	2.6	4.2	1.6	1.6
EBITDA/equity	11.4%	9.1%	4.8%	4.8%

Notes:

(1) We completed the 2013 Acquisition in October 2013. The Acquired Business, consolidated into our audited financial statements from October 21, 2013, contributed to RMB41.6 million in revenue, after eliminating intra-group sales, and RMB78.3 million in profit. Had the Acquired Business been consolidated from January 1, 2013, our summary consolidated statement of comprehensive income for 2013 would have shown pro-forma revenue of RMB4,597.2 million and profit of RMB295.1 million after intra-group eliminations.

(2) The calculation of EBITDA is based on the sum of loss/(profit) for the year, income tax expense, finance expenses, finance income, depreciation of property, plant and equipment, amortization of trade mark, license right, sales distribution networks and customer relationships, amortization of prepaid operating lease payments, unrealized gain/(loss) on change of fair value of embedded derivatives of convertible bonds and loss on early redemption of convertible bonds. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(3) EBITDA margin is calculated by dividing EBITDA by revenue.

(4) Net debt is calculated as total debt less cash and cash equivalents.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2012	2013	2014	2014
	(RMB)	(RMB)	(RMB)	(USD) (unaudited)
	(in thousands)			
ASSETS				
Non-current assets				
Land use rights	746,261	1,123,894	1,099,054	177,135
Property, plant & equipment	6,025,704	6,968,560	6,730,941	1,084,831
Intangible assets	438,433	4,227,889	4,200,920	677,065
Deferred income tax assets	90,927	91,173	142,700	22,999
Long-term prepayment	84,634	98,555	142,615	22,985
Investments accounted for using the equity method	13,745	6,413	10,515	1,695
Long-term receivables	91,483	1,288	1,128	182
	7,491,187	12,517,772	12,327,873	1,986,892
Current assets				
Inventories	1,605,213	1,325,267	1,211,233	195,215
Trade and other receivables	1,426,155	1,855,075	2,182,987	351,834
Available-for-sale financial assets	—	—	265,423	42,778
Restricted cash	115,769	577,785	452,882	72,991
Cash and cash equivalents	521,127	937,421	694,373	111,913
	3,668,264	4,695,548	4,806,898	774,731
Total assets	11,159,451	17,213,320	17,134,771	2,761,624
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	115	147	180	29
Share premium	3,776,401	6,006,880	8,303,542	1,338,288
Convertible preference shares	—	2,831,338	541,474	87,270
Other reserves	248,410	275,306	297,814	47,999
Retained earnings				
—Proposed final dividend	—	—	—	—
—Others	1,261,308	1,462,875	1,315,019	211,943
Non-controlling interests in equity	—	147,966	141,691	22,836
Total Equity	5,286,234	10,724,512	10,599,720	1,708,365
LIABILITIES				
Non-current liabilities				
Borrowings	1,175,398	1,837,280	327,782	52,829
Deferred government grants	103,927	92,969	62,202	10,025
Trade and other payables	—	—	57,140	9,209
Deferred income tax liabilities	—	9,609	9,247	1,490
Convertible Bonds	779,148	—	860,382	138,668
	2,058,473	1,939,858	1,316,753	212,222
Current liabilities				
Trade and other payables	1,949,800	1,675,734	2,020,112	325,583
Convertible Bonds	—	837,576	—	—
Taxation payable	6,818	76,694	56,910	9,172
Deferred revenue	50,569	10,183	10,609	1,710
Borrowings	1,807,557	1,948,763	3,130,667	504,572
	3,814,744	4,548,950	5,218,298	841,037
Total liabilities	5,873,217	6,488,808	6,535,051	1,053,259
Total equity and liabilities	11,159,451	17,213,320	17,134,771	2,761,624
Net current (liabilities)/assets	(146,480)	146,598	(411,400)	(66,306)
Total assets less current liabilities	7,344,707	12,664,370	11,916,473	1,920,587

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The expected benefits of the 2013 Acquisition may not be realized.

On October 21, 2013, we completed the acquisition of the Acquired Group, a leading producer of fruit juice concentrates and purees in China and one of our largest suppliers before the acquisition. We consider the 2013 Acquisition a strategic move for us to establish a vertically integrated business model. Whether we will realize the anticipated benefits from the 2013 Acquisition, however, largely depends on our successful integration of operations with the Acquired Group, retention and integration of the Acquired Group's management and employees, development and maintenance of uniform standards, controls, procedures and policies with the Acquired Business, retention of existing suppliers and customers of the Acquired Group, and development of new customers of fruit juice concentrates and purees as most of the sales of the Acquired Group before the 2013 Acquisition had been to us. If we experience difficulties in the process of integration, we may not realize the anticipated benefits from the 2013 Acquisition as soon as we expect, or at all. An unsuccessful integration may even cause disruption to our juice beverages production business. If the expected benefits of the 2013 Acquisition cannot be realized or if we cannot address the risks relating to the integration, our business, financial condition and results of operations may be materially and adversely affected.

Our consolidated financial information before and after the 2013 Acquisition may not be directly comparable with each other or indicative of our future results of operations.

Upon completion of the 2013 Acquisition, members of the Acquired Group became our subsidiaries, and their financial results since October 21, 2013 have been consolidated into our consolidated financial statements. As a result, our sales and operating results in 2013 and 2014 are not comparable with our results in 2012, and we cannot assure you that the historical consolidated financial information included in this offering memorandum will be indicative of our future results of operations.

Our expansion strategy may not prove successful and we may be unable to achieve growth in the future.

One of our strategies to grow our business is to expand our sales in under-penetrated markets such as South China and East China. We also intend to continue to expand the volume and variety of products we offer in our existing markets. For example, we entered into equity transfer agreements in March 2014 to acquire the entire equity interest in Suntory Foods and a 50% equity interest in Suntory Trading to establish a strategic partnership with Suntory China for the sale and development of Suntory branded products in China. We will also need to invest in various forms of promotional and marketing activities in order to increase our market penetration and enhance consumer awareness of our products. However, we may face difficulties in successfully expanding the sales of our products, particularly in areas that have not traditionally experienced high per capita levels of juice consumption due to a lack of habit in consuming juice beverages, or in regions where our Huiyuan brands are not widely recognized. If we fail to increase sales in under-penetrated markets or our existing markets, we may not be able to recover the distribution, promotional and marketing expenses or production and administrative costs incurred in association with such efforts.

Our business expansion could also place a significant strain on our managerial, operational and financial resources. Our ability to achieve future growth will depend in part on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that we will be successful in these pursuits. Any failure may result in increased costs and a decline in sales.

If we are unable to gain market recognition or significant market shares for new products, we might not be able to recover development, production and marketing costs.

The development of new products is crucial to our expansion strategy. We constantly introduce new packaging and packaging sizes, flavors and branding and promotional strategies for our beverage products. The success of our new products depends on our ability to anticipate tastes and dietary habits of consumers and to offer products that appeal to them. We routinely introduce new product lines with different flavors, packaging and packaging sizes. We cannot assure you, however, that we will be able to gain market recognition or significant market shares for our new products. New products that we introduce may fail to meet the tastes or requirements of consumers, or may be unable to replace their existing preferences. Our failure to anticipate, identify or react to the changing tastes of consumers could result in low demand for our new products. As a result, we may be unable to recover our development, production and marketing costs.

We may enter into strategic acquisitions, investments, alliances, joint ventures or restructurings that may be expensive or difficult to implement. Our failure to successfully implement these strategic maneuvers could have a material adverse effect on our business, financial condition and results of operations.

In May 2014, we entered into equity transfer agreements to acquire the entire equity interest in Suntory Foods and a 50% equity interest in Suntory Trading. We may continue to enter into strategic acquisitions and investments and establish strategic alliances with third parties in the food and beverage industry if suitable opportunities arise. We may also make strategic divestiture of our assets or restructure our business operations. For example, we disposed of our wholly owned subsidiaries, Shanghai Huiyuan Food & Beverage Co., Ltd., Chengdu Huifu Real Estate Co., Ltd. and Beijing Huiyuan Group Huanggang Co., Ltd. in June 2013, August 2013 and June 2014, respectively. Any strategic acquisition, investment, alliance with third parties or divestitures could subject us to a number of risks, including risks associated with sharing proprietary information and a reduction or loss of control of operations that may be material to our business. Moreover, strategic acquisitions, investments, alliances and divestitures may be expensive to implement and subject us to counterparty risks, which may in turn lead to monetary losses that may materially and adversely affect our business. Some of the specific risks include, without limitation:

- unforeseen difficulties in integrating operations, accounting systems and personnel;
- diversion of financial and management resources from existing operations;
- failure to attract and retain management and key employees;
- unforeseen difficulties related to entering geographic regions or markets where we lack experience;

- risks relating to obtaining sufficient financing;
- potential undisclosed liabilities, litigation or other proceedings; and
- the loss of key customers or suppliers.

Such risks could expose us to additional legal and other costs and expenses which could be significant. If any of these risks occur in the future, our business, financial condition and results of operations may be materially and adversely affected.

We rely on certain utilities such as electricity in our manufacturing process, and any failure or shortage in the supply of such utilities may adversely affect our business, financial condition and results of operations.

We rely on utilities such as electricity in our production process. In 2012, 2013 and 2014, our cost of electricity as a percentage of our total cost of sales was 5.8%, 5.0% and 5.2%, respectively. Any shortage or interruption in the supply of electricity could disrupt our operations and increase our costs of sales. We cannot assure you that we will not experience any disruptions in electricity supply in future. Moreover, the price of electricity may fluctuate and we cannot predict future price trends or the degree of any price volatility. In most cases, provincial PRC governments regulate electricity tariffs for industrial enterprises like us, and we cannot predict whether the governments will raise electricity tariffs in the future. Any significant increase in the prices of electricity, any shortage or government-imposed curtailment on electricity usage or interruption in electricity supply could increase our cost of sales and/or cause disruptions to our operations. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

Our juice products and brands may be subject to counterfeiting or imitation, which could damage our reputation and brand and lead to higher administrative costs.

Most of our beverage products are marketed under our primary 汇源 “Huiyuan” trademark, which we believe has become one of the best known juice brands in China and is critical to our success. We have experienced limited cases of counterfeiting and imitation of our juice drinks products in the past, and may continue to be subject to counterfeiting and imitation in the future. We believe that the advanced packaging technology we employ has made it more difficult to counterfeit our products. We also regularly re-design our PET bottle shapes and labels, and have applied for patents in bottle designs, label designs and juice pack designs to protect our products from imitation. In addition, our sales personnel and distributors constantly monitor the market for any suspected counterfeiting of our products, and report to law enforcement authorities to prosecute violations. We, however, are unable to guarantee that our preventive measures or official law enforcement actions will effectively reduce counterfeiting or illegal imitation. China’s intellectual property laws are still evolving, and the level of protection and means of enforcement of intellectual property rights in China are relatively limited. Any occurrence of counterfeiting or imitation could damage our reputation and brand and lead to loss of consumer confidence in our products. In addition, counterfeit and imitation products could damage our market share, causing a long-term or even permanent decline in our sales as well as increasing our administrative costs in respect of investigation and prosecution.

Our results of operations may fluctuate due to seasonality.

Our business is subject to seasonality. For example, we typically experience higher sales of juice drinks, which are consumed primarily to quench thirst, in the second and third quarters of the year when the weather is typically warmer and drier, while our sales of 100% juices, which are consumed primarily for their nutritional benefits, are relatively stable throughout the year. In general, our sales typically peak prior to public holidays in China, including the Chinese New Year. Sales can also fluctuate during the course of the year for a number of other reasons, including weather conditions, fresh fruit supply, the timing of new product launches and the timing of advertising and promotional campaigns.

As we have assumed the production of fruit juice concentrates and purees of the Acquired Business since the 2013 Acquisition, we may be subject to greater seasonality due to the nature of the Acquired Business. The production of fruit juice concentrates and purees depends on the timing of harvest of fresh fruit, and sales generally occur shortly after harvest. Most fresh fruits such as peaches, pears and apples are typically harvested in the third and fourth quarters of each year, and, as a result, sales of fruit juice concentrates and purees are typically higher during these periods.

Such seasonal variations may cause fluctuations in our sales, profitability and cash flow. Due to these fluctuations, comparisons of sales and operating results between the different periods within a single year, or between the same periods in different financial years, are not necessarily meaningful and you should not place undue reliance on such comparisons.

We rely significantly on third-party production equipment, packaging technology and packaging materials.

Fundamental to maintaining the quality and freshness of our products, we rely on advanced production equipment, packaging technology and packaging materials, which are supplied by third parties. We generally enter into contracts with third-party suppliers which are renewable semi-annually or annually. If the third-party suppliers fail to perform under the contracts, or if we are unable in the future to reach agreement upon reasonable terms with them in relation to continuous supply, we may be unable to find comparable substitute suppliers on time, or at all, which may affect our ability to maintain and/or upgrade our production facilities, lead to production interruptions and delays in the delivery of our products to customers, and prevent us from improving and updating the packaging of our products to meet changing market demands. Any of these scenarios could result in a material adverse effect on our business, financial position and results of operations.

Our current tax exemptions may be amended or abolished.

Certain of our subsidiaries acquired as part of the 2013 Acquisition enjoyed tax exemptions in 2013 and in 2014, after approval of the local tax authorities, which may be later amended or abolished. The amounts of such tax exemptions granted were determined and paid at the sole discretion of respective local government authorities. We cannot assure you that the amount of tax exemptions granted to these subsidiaries in the past will be granted to us in the future. In the event that such tax exemptions are amended, abolished or otherwise no longer applicable to us, their businesses, financial conditions and results of operations could be adversely affected.

Unexpected equipment failures or other industrial accidents may lead to production curtailments or shutdowns and subject us to legal claims and liabilities.

We could experience events such as equipment failures or other accidents owing to employee errors, equipment malfunctions, accidents, interruptions in electricity supplies, natural disasters or other causes. We cannot assure you that any preventative measures we have taken or may take will be sufficient to prevent any industrial accidents in the future. As a result, we may experience production curtailments or shutdowns or periods of reduced production, which would negatively affect our business, financial condition and results of operations. In addition, potential industrial accidents leading to significant property loss and/or personal harm may disrupt our operations, subject us to claims and lawsuits, and adversely affect our profitability and relations with customers, suppliers, employees and/or regulatory authorities.

We rely on fresh fruits as major raw materials, and the quality, supply and price of these raw materials may be affected by numerous factors.

Fresh fruits are the major raw materials for our production of fruit juice concentrates and purees and ultimately our juice-based beverage products. We purchase fresh fruits from a wide range of domestic suppliers, many of which had had long-standing relationships with the Acquired Group prior to our 2013 Acquisition. However, we typically do not have long-term contracts with these suppliers. There is no guarantee that the suppliers will be able to maintain a consistent supply of high-quality fresh fruits, or that we would be able to locate new suppliers to provide sufficient quantities of high-quality fresh fruits should the existing suppliers fail to do so.

Moreover, the quality, supply and price of fresh fruits may be affected by weather conditions, natural disasters, farming technology, pest control measures, demand and supply dynamics and government policies, all of which are factors beyond our control. In the event of any interruption or shortage of fresh fruit supply, we may not be able to utilize our juice concentrate and puree production facilities efficiently and our juice beverages production may in turn be materially and adversely affected.

We largely depend on distributors to sell our products.

We largely depend on distributors to sell our products. In 2012, 2013 and 2014, we generated approximately 75% of our revenue from distributors. As of December 31, 2014, we collaborated with approximately 3,000 distributors. We do not have long-term contracts with our distributors, and we typically negotiate and enter into distribution agreements for a term of one year which are renewable on a yearly basis. As our existing agreements with our distributors expire, we may be unable to renew these agreements with our desired distributors on favorable terms or at all. Furthermore, it is possible that we may lose distributors to our competitors. We may also choose to terminate underperforming distributors. Any disruption in our relationships with our distributors, including our failure to renew our existing agreements with any of them, could affect our ability to effectively sell our products and would materially and adversely affect our business, financial condition and results of operations.

We may be unable to effectively manage our distributors.

We have limited ability to manage the activities of our distributors, which are independent from us. In particular, we largely rely on distributors to sell our products who may violate their agreements with us through, among other things:

- failing to adhere to our pricing policies;
- selling our products outside their designated models, areas or retail outlets, in violation of the exclusive distribution rights of our other distributors;
- failing to adequately promote our products; or
- failing to provide proper services to the retailers.

Failure to adequately manage our distributors, or non-compliance by our distributors with our agreements could harm our corporate image and disrupt our sales. Furthermore, our distributors may violate applicable laws or otherwise engage in illegal practices, with respect to their sales and marketing of our products. In such case, we could be liable for legal actions taken against them and be required to pay damages or fines, which could materially and adversely affect our business, financial condition and results of operations. In addition, our brand and reputation, our sales activities or the price of our products could be adversely affected if we become the target of any negative publicity as a result of any improper action taken by our distributors.

We rely on distributors and third-party transportation operators to sell and deliver our products, and any delays in delivery or inappropriate handling by distributors and third-party transportation operators may affect our sales and damage our reputation.

The distribution and transportation services provided by the distributors and third-party transportation operators we rely on to sell or distribute our products could be suspended and could cause interruption to the distribution of our products to retailers in the case of unforeseen events. Delivery disruptions may occur for various reasons beyond our control, including poor handling by distributors or third-party transportation operators, transportation bottlenecks, natural disasters and labor disturbances, which could lead to delayed or lost deliveries. We have experienced delivery problems in the past during peak transportation seasons. Poor handling by distributors and third-party transportation operators could also damage our products. If our products are not delivered to retailers on time, or are delivered in damaged conditions, we may lose business and/or be required to pay compensation, and our reputation could be harmed.

We may depend on other domestic or international suppliers.

Our production volume is highly dependent on our ability to maintain a stable and sufficient supply of high-quality fruit juice concentrates and purees. We expect our demand for fruit juice concentrates and purees to continue to increase in the future. Even after our 2013 Acquisition, when we acquired the fruit juice concentrate and puree production capability from the Acquired Group, we may still need to source fruit juice concentrates and purees from other domestic and international suppliers. We generally enter into annual supply agreements with such suppliers. We, however, cannot guarantee that these external suppliers will be able to maintain a consistent supply of fruit juice concentrates and purees to accommodate our present or future needs. Their ability to supply depends on the output of the orchards owned by fruit and vegetable farmers, which is subject to a number of natural and unnatural uncertainties. We may also lose such external suppliers to competitors. There is no assurance that we will be able to locate new suppliers who could provide us with sufficient fruit juice concentrates and purees to meet our needs in terms of both quantity and quality in a timely manner, or at all. Any significant interruption or shortage in the supply of such raw materials could lead to the suspension of our production, which in turn could materially and adversely affect our business, financial condition and results of operations.

We may not be able to pass on increases in raw material prices to consumers, which could reduce our profit margins.

The principal raw materials we use in our production, including juice concentrates and purees, fresh fruits and vegetables, packaging materials and additives, are subject to a high degree of price volatility caused by external conditions, such as the weather, environmental conditions, commodity price fluctuations, demand and supply dynamics and our bargaining power with our suppliers. We cannot assure you that the price we pay for our raw materials will be stable in the future. Price changes of the raw materials may result in unexpected increases in production, packaging and distribution costs, and we may be unable to increase the prices of our products to offset these increased costs and therefore may suffer a reduction to our profit margins. We do not hedge against changes in the prices of our raw materials. Therefore, if the prices of some or all of the raw materials increase substantially, our profit margin may be adversely affected.

We benefit from various forms of government subsidies and grants, the withdrawal of which could affect our operations.

Some of our subsidiaries have received price subsidies for agricultural products from local PRC governments. In 2012, 2013 and 2014, our government subsidy income amounted to RMB250.8 million, RMB224.8 million and RMB62.6 million, respectively. Governmental subsidies are non-recurring payments vary according to local governmental policies and are only available in certain localities. The amounts granted were determined and paid at the sole discretion of the respective government authorities. We cannot assure you that the amount of subsidies granted to us in the past will be repeated in any future period. In the event that we no longer benefit from government grants or subsidies, our business financial condition and operating results could be materially and adversely affected.

The success and operations of our business are largely dependent on Mr. Zhu Xinli and other key personnel.

We were founded in 1992 by Mr. Zhu Xinli, our current chairman. Since then, Mr. Zhu and our highly experienced senior management team have developed us into a large-scale producer of juices and other beverages. Mr. Zhu and the other members of our senior management have formulated our strategic policies and have been fundamental to our achievements to date. The success of our business, to a considerable extent, depends on the services of Mr. Zhu and the other members of our senior management. The loss of the services of any of them or failure to recruit a suitable or comparable replacement could have a significant impact upon our ability to manage our business effectively, and, as a result, our business and future growth may be adversely affected.

We consider the formulas of our products to be our trade secrets, and our ability to compete could be harmed if such trade secrets were disclosed to unauthorized third parties or used by authorized third parties in breach of our confidentially agreements with them.

We rely on trade secret protection to secure our proprietary formulas, production processes and packaging of our products. We rely on a combination of contractual responsibilities and confidential restrictions in agreements with employees, OEM partners and other entities to which we disclose our proprietary formulas, and legal and statutory protections to safeguard our proprietary rights, including ingredients, production formulas and packaging of our products. Any breach of confidentiality by our employees, OEM partners or any other entities having access to our formulas and other trade secrets could result in third parties, including our competitors, gaining access to such formulas and trade secrets. If our competitors are able to successfully imitate our proprietary formulas and/or our product packaging while managing to provide comparable products at competitive prices, our market share may decrease and our business, financial condition and results of operations could be materially and adversely affected.

We derive a substantial portion of our sales from China, and a significant decline in the PRC economy may adversely affect our business, financial condition and results of operations.

Substantially all of our sales are generated from China. We anticipate that sales of our products in China will continue to represent a substantial proportion of our total sales in the near future. Any significant decline in the PRC economic conditions could, among other things, adversely affect consumer purchasing power and reduce the consumption of our products, resulting in a material adverse effect on our business, financial condition and results of operations.

We are subject to credit risk in respect of account receivables.

Although the majority of our sales are settled in cash or by check on delivery, we have granted credit terms of between 90 to 180 days to some of our customers, including an OEM customer and selected distributors and supermarkets. Furthermore, we have granted certain long-term customers credit terms exceeding 180 days. As of December 31, 2012, we had outstanding third-party trade receivables of RMB787.4 million, which accounted for 7.1% of our total assets. The Acquired Business also made credit sales to related parties and selected customers, primarily on credit terms of 90 to 180 days. As of December 31, 2013 and 2014, we had outstanding third-party trade receivables of RMB1,083.6 million and RMB1,624.1 million, representing 6.3% and 9.5%, respectively, of our consolidated total assets.

As of December 31, 2014, approximately 63.9% of the third-party trade receivables of our business was recorded within three months, 22.7% recorded between four and six months, 6.0% recorded between seven and twelve months, and 6.9% recorded between one to two years, and 0.5% recorded over 2 years. If we experience difficulties in collecting account receivables, our financial condition and operating results could be materially and adversely affected.

Our operations are cash intensive, and our business could be materially and adversely affected if we fail to maintain sufficient levels of working capital.

Our operations are cash intensive. Historically, we have invested significantly in capital investments to expand our manufacturing capacity. We also spend a significant amount of cash to fund our working capital requirements, particularly in raw material procurement. Our suppliers, in particular suppliers of juice concentrates and purees, fresh fruits and vegetables and packaging materials, usually grant us a credit period of one to three months. In turn, we typically require our customers to make payment in full prior to delivery, although we offer selected customers the ability to pay on credit. We generally fund most of our working capital requirements out of cash flow generated from operations. If we fail to generate sufficient sales, or if we suffer decreasing sales to customers, or if our suppliers stop offering us credit terms, or if we were to experience difficulties in collecting our accounts receivable, we may not have sufficient cash flow to fund our operating costs and our business could be materially and adversely affected.

Our levels of borrowing and interest payment obligations could limit the funds we have available for business purposes.

We have relied on borrowings to fund a portion of our capital requirements, and expect to continue to do so in the future. As of December 31, 2014, we had total indebtedness of RMB4,318.8 million, and our ratios of total indebtedness to total assets and total indebtedness to equity was 25.2% and 40.7%, respectively. We have entered into a number of offshore and onshore loans since December 31, 2014. We may not have sufficient funds available to pay all of our borrowings upon maturity. Failure to refinance our borrowings at maturity or otherwise service our indebtedness could result in penalties, including increases in interest rates that we pay on our indebtedness, cross-defaults on any other debt instruments and legal actions against us by our creditors, which could, in severe case, lead to insolvency.

A substantial portion of our short-term borrowings are due within one year. As a result of our short-term borrowings, we had net current liabilities of RMB146.5 million, net asset of RMB146.6 million, and net current liabilities of RMB411.4 million as of December 31, 2012, 2013 and 2014, respectively. We cannot assure you that we will not experience a net current liabilities position in the future again. Having net current liabilities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables, and repay our outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If the increase in our total borrowings results in our gearing ratios being higher, our capability for external financing will be limited. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our business and reputation may be affected by product liability claims, litigation, complaints or negative publicity in relation to our products.

As is common with other consumer products, beverages for human consumption involve an inherent risk of injury to consumers. These injuries may result from tampering by unauthorized third parties or product contamination or degeneration, including the presence of external contaminants, chemicals, substances or other agents or residues during the various stages of procurement, production, transportation and storage. While we are subject to government inspections and regulations in addition to our own quality control systems, we cannot assure that we will not be subject to claims, complaints or lawsuits relating to such matters. For instance, in September 2013, it was alleged in the *South China Morning Post* that we had used rotten fruits to manufacture our products, although after investigation we were cleared of any wrongdoing. In line with industry practice in the PRC, we do not maintain product liability insurance, and we would be liable for the full amount of any damages awarded against us in any product liability claim.

Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity arising from any allegation that our products caused personal injury or illness could materially and adversely affect our reputation among consumers and our corporate and brand image. We rely to a significant extent on our brand image and brand name, 汇源 "Huiyuan," which we believe is one of the best known juice brands in China. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that erode consumer trust. The demand for our products, our brand value and goodwill could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our products, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity concerning us or our products, could adversely affect our reputation, business, financial condition, results of operation.

Additional or stricter environmental protection requirements in China may require significant capital expenditures, and we may not be able to comply with any such laws and regulations.

We operate in an industry that is subject to PRC environmental protection laws and regulations. These laws and regulations require enterprises engaged in manufacturing and construction that may cause environmental waste to adopt effective measures to control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials and to pay a fee for discharging waste substances. As of the date of this offering memorandum, 25 of our subsidiaries were either in the process of obtaining or renewing the Sewage Discharge Permit (排污許可證) or had not obtained the Sewage Discharge Permit.

If we fail to comply with such laws or regulations results, the administrative department for environmental protection can impose fines on us. If the circumstances of the breach are serious, it is at the discretion of the central government of the PRC, including all governmental subdivisions to cease or close any operation failing to comply with such laws or regulations.

There can be no assurance that the PRC government will not change the existing environmental protection laws or regulations, or the interpretation or enforcement thereof, or impose additional or stricter laws or regulations relevant to our business and operations. To comply with any such change to relevant rules and regulations, we may need to incur significant capital expenditure and it may not be possible to pass on such additional capital expenditure to customers through higher prices for our products. In addition, we may not be able to comply with any such laws and regulations.

We have not obtained land use rights certificates and real estate ownership certificates for certain of our land parcels and buildings or units, and our land use rights to certain land parcels may be subject to government actions.

As of December 31, 2014, we had not obtained land use rights certificates for 13 of our land parcels with an aggregate area of approximately 1,608,458 square meters and real estate ownership certificates for 251 of our buildings or units with an aggregate gross floor area of approximately 917,720 square meters. Our rights to utilize, rent out, transfer, mortgage or otherwise dispose of such land, buildings or units may not be recognized until we obtain the necessary land use rights certificates or real estate ownership certificates. We may also be subject to penalties including being required to vacate from the land, buildings or units or demolish buildings or units constructed on the land in absence of the relevant certificates. We have subsequently obtained or are in the process of applying for such land use rights and real estate ownership certificates.

Moreover, we have not developed a land parcel with a site area of approximately 1,572,604 square meters for more than two years since we obtained the land use rights certificate. Under relevant laws and regulations, the government authorities may treat this as “idle land,” and in such event we may be subject to fines, and relevant land may be repossessed by the government authorities. We have also not paid the full amount of land premium on time for a land parcel with a site area of approximately 306,768 square meters. Government authorities may require us to pay the unsettled land premium with interest, or even revoke our land use rights regarding such land parcel.

We may be subject to fines for our failure to register for and/or contribute to social insurance and housing funds on behalf of some of our employees

Some of our PRC subsidiaries did not register for and/or fully contribute to certain social insurance funds and housing funds for their employees. Although we are not aware of any complaints or demands for payment of these contributions from employees, the relevant PRC authorities may notify us that we are required to complete registration and/or pay the outstanding contributions within a stipulated deadline. In the case we fail to pay the outstanding contributions before the expiry of such deadline, (i) in respect of outstanding social insurance contributions that accumulated prior to July 1, 2011, where payment is not made prior to such deadline, we may be liable to a penalty equal to 0.2% of the outstanding amount calculated daily from the date the relevant insurance funds became payable; and (ii) in respect of outstanding social insurance contributions that accumulated after July 1, 2011, we may be liable to a penalty equal to 0.05% of the outstanding amount calculated daily from the date the relevant insurance funds became payable and, if we fail to make such payments in arrears, we may be liable to a fine of one to three times the outstanding contribution amount. In the case we fail to complete housing fund registration and open a housing fund account before the expiry of such deadline, we may be subject to a fine of between RMB10,000 and RMB50,000. In the case we fail to make payments of outstanding housing fund contributions before the expiry of such deadline, we may be subject to an order from the relevant people’s courts to make such payment.

We do not have any arrangement to hedge against price fluctuation of certain raw materials.

We currently do not hedge against the price fluctuation of our main raw materials. Prior to the 2013 Acquisition, our main raw materials were juice concentrates, purees and sugar, the total cost of which represented 31.7% of our total cost of sales in 2012. Following the 2013 Acquisition, the total costs of our main raw materials, including fresh fruits and sugar, are influenced by factors such as fluctuations in seasonal production, competition, fluctuation in demand, and the distance of the suppliers from our production facilities, all of which are out of our control. Although we would utilize sugar substitutes in some of our products, in the event that the price of one or all of these main raw materials increases dramatically, our operating results and financial position may be adversely affected.

Certain facts and statistics in this offering memorandum are derived from publications not independently verified by us, the Initial Purchasers, or our or their respective advisors.

Facts and statistics in this offering memorandum relating to China and the global economy and the beverage industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their advisors, and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to the facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISKS RELATING TO THE FOOD AND BEVERAGE INDUSTRY IN THE PRC

We face intense competition from other manufacturers of food and beverage products.

The food and beverage industry in China is highly competitive. There is a large number of domestic and international manufacturers who produce beverage products similar to ours or seen as substitutes to ours. Competition primarily manifests itself in the form of price reductions, new product offerings and advertising campaigns. Some of our competitors may have a longer operating history and more financial and other resources than we do. In any given local market, our competitors may have more established sources of raw materials or production facilities, which provide them with competitive advantages in terms of cost and proximity to consumers.

Our ability to compete is, to a significant extent, dependent on our ability to distinguish ourselves by providing high-quality products that appeal to consumers' tastes and preferences at reasonable prices. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide, or adapt more quickly than we to evolving industry trends or changing market requirements. Our competitors may also consolidate or form alliances to rapidly acquire significant market shares, and some of our distributors may commence production of products similar to those we sell to them. Furthermore, competition may lead competitors to substantially increase their advertising expenditures and promotional activities or to engage in irrational or predatory pricing. If there is a substantial increase in the volume of cheaper competing products offered into the regions where we operate, and if we fail to effectively respond to such actions, we may lose customers and market shares. We may be forced to increase marketing expenditures, and the implementation of our own pricing strategy may be compromised. Any of the above scenarios from intensified competition may result in a decline in our sales and market shares, which in turn may materially and adversely affect our business, financial condition and results of operations.

Changes in the existing food safety laws may affect our business, financial condition and results of operations.

We are required to follow the hygiene, safety and manufacturing standards with respect to food as well as hygiene, safety, packaging and other requirements for food production, production facilities and equipment used for the transportation and sale of food under the food safety laws and regulations of the PRC. In particular, according to the Food Safety Law of the PRC (中華人民共和國食品安全法) (the "Food Safety Law"), which became effective on June 1, 2009, amended on April 24, 2015 and will come into effect on October 1, 2015 and its implementing regulations, which became effective on July 20, 2009 and was amended on October 23, 2014, we are subject to stringent quality control and food safety standards, including, among others:

- chemicals other than specifically permitted additive and any substance that may harm human health are forbidden in food production;
- food additives may be used only if they are deemed necessary for food production and they must be tested and proven safe in accordance with the risk assessment principles established by the PRC government before they can be used;
- no food product is exempt from inspection by the relevant food safety supervision authority; and
- food manufacturers will have to suspend production immediately and recall all products from the market if their products are found to have failed to meet the requisite food safety standards. The manufacturers are also required to notify the relevant food producers, traders and consumers of such recall and keep records in this regard.

In addition, we must maintain proper production records of our products. As the Food Safety Law and its implementing regulations are relatively new, some uncertainties still exist as to how they may affect our business operations in the long run. Any failure to comply with the Food Safety Law, its implementing regulations or other food safety and hygiene laws and regulations in the PRC may result in fines, suspension of operations, loss of licenses and, in more extreme cases, criminal proceedings which may be brought against us and our management. Any of these events will have a material adverse impact on our business, financial condition and results of operations.

We cannot assure you that the PRC government will not change the existing law or regulations or adopt additional or more stringent laws or regulations applicable to us and our business operations. Such new laws and regulations may require us to change our methods for sourcing raw materials, production, processing and transportation, including heightened labeling, food safety, and packaging requirements, increases in transportation costs and greater uncertainty in production and sourcing estimate. Our failure to comply with any of them, or our failure to pass on the resultant cost increase to our customers, could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to extensive PRC laws and regulations on environmental protection and product pricing and changes in the regulatory environment may cause us to incur liabilities or additional costs or limit our business activities.

Our production, sales and distribution operations are subject to PRC regulations on environmental protections. They relate to, among other things, exhaust emission, waste water discharges, noise emission and industrial solid waste from production facilities, and waste disposal practices. Moreover, under the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) and the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), we are required to submit an environmental impact assessment report to the relevant government authorities for preliminary approval before the construction of our production facilities and the installation of pollution treatment facilities, and we are further required to undergo environmental protection examinations, and to obtain approval from relevant governmental authorities after we have completed the installation of our manufacturing equipment and before the production plant commences commercial production. If we fail to comply with applicable environmental regulations and standards, we may be subject to fines, orders for suspension of production, orders for damage compensation, or even criminal liabilities.

In addition, pursuant to the Price Law of the PRC (中華人民共和國價格法) (the "Price Law"), certain competent government authorities have the authority to implement intervention measures on the pricing of important commodities and services if the prices of such commodities and services are substantially increased. For example, the National Development and Reform Commission (the "NDRC") has in the past invoked its authority pursuant to the Price Law and required that suppliers of certain commodities (including certain types of food and beverage products) who had reached a certain scale to report planned price rises at least ten days in advance and were limited to pass-through of cost increases. We cannot assure you that the NDRC or other government authorities will not invoke such authority again in the future.

We could be adversely affected by a change in consumer preferences and perceptions resulting from negative publicity on China's food and beverage industry.

Sales of juice beverages are subject, to a large extent, to consumer preferences and perceptions of fruit juice products as part of a healthy diet and healthy lifestyle. Negative media coverage regarding the safety or quality of, or the dietary or health issues relating to, juices and other beverages, or the raw materials, ingredients or processes involved in their manufacturing or bottling, may damage consumer confidence in these products. A general decline in the consumption of juices and other beverages could occur as a result of, among other things, negative publicity related to contamination and other safety issues in China's food and beverage industry. The future success of our business will depend on our ability to maintain the quality and safety of our products and distinguish ourselves in times of negative publicity on China's food and beverage industry. Any failure to do so may result in reduced demand for our products and damages to our brand image, which may have a material and adverse impact on our business, financial condition and results of operations.

We are required to maintain various licenses and permits to operate our business, and the loss of or failure to renew any or all of these licenses and permits could materially and adversely affect our business operations.

We are required to maintain various licenses and permits in order to operate our business at each of our production facilities, including, without limitation, food production permits (全國工業產品生產許可證) and food distribution permits (食品流通許可證), which are subject to periodic renewal. Beijing Huiyuan Group Wanrong Co., Ltd (北京滙源集團萬榮有限公司) has not obtained a food production permit in respect of its production of beverages, and Beijing Xinyuan Food & Beverage Co., Ltd. (北京新源食品飲料有限公司), has not renewed its food production permit because it has stopped producing beverage products. Besides, our newly-built Lingbao Plant and Kedong Plant are in the process of applying for their food production permits. The PRC food hygiene and safety laws also set out hygiene standards with respect to food and food additives, packaging and containers, information to be disclosed on packagings as well as hygiene requirements for sites and facilities used for food production and equipment used for the transportation and sale of food. Our premises and transportation vehicles are subject to regular inspections by the regulatory authorities for compliance with the Food Safety Law. Failure to comply with PRC food hygiene and safety laws may result in fines, suspension of operations, revocation of hygiene licenses and, in extreme cases, criminal proceedings against an enterprise and its management.

In addition, we cannot assure you that the PRC government will not change the existing law or regulations or adopt additional or more stringent laws or regulations applicable to us and our business operations. Such new laws and regulations may require the re-configuration of our methods for sourcing raw materials, production, processing and transportation, including more onerous food safety, labeling and packaging requirements, more stringent compliance requirement for waste management, which may increase our transportation costs and create greater uncertainty in estimating production and sourcing costs.

RISKS RELATING TO THE PRC

Adverse changes in the PRC's political, economic and social conditions, laws, regulations and policies could have an adverse effect on overall economic growth in China, which may adversely affect our business, financial condition and results of operations.

A majority of our assets are located in the PRC and a majority of our turnover is sourced from the PRC. Accordingly, our business, financial condition and results of operations are subject, to a large extent, to economic, political and legal developments in China. China's economy differs from the economies of other countries in many respects, including the extent of government intervention such as government control of foreign exchange and the allocation of resources, the general level of economic development and growth rates.

While the PRC economy has experienced significant growth in the past 30 years, this growth has been uneven across different periods, regions and amongst various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. It has also continued to play a significant role in regulating industry development by imposing industrial policies, exercising significant control over China's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, any changes to existing government support for or subsidies to the agricultural sector may impact the availability and price of our raw materials. Our business, financial condition and results of operations may also be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, changes in interest rates and statutory reserve rates for banks or government control in bank lending activities.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

We may use the proceeds from this offering to make loans to our foreign-invested PRC subsidiaries. Such loans to our foreign-invested PRC subsidiaries are subject to approval by and registration with relevant governmental authorities in China, including but not limited to the SAFE. Likewise, if we obtain all approvals from and complete registrations with relevant PRC governmental authorities, including but not limited to the SAFE and the PRC Ministry of Commerce (the "MOFCOM") or its local branches, we may also decide to use the proceeds from this offering to finance our PRC subsidiaries by means of capital contributions or to establish and fund new subsidiaries in the PRC. We may not obtain these government approvals or complete these registrations on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to receive such approvals from, or complete registrations with, all relevant PRC government authorities, our ability to use the proceeds of the Bonds to capitalize our operations in China may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Governmental control over currency conversion may limit our ability to utilize our cash effectively.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive the majority of our revenue in Renminbi. As a Cayman Islands holding company, we may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have, including in respect of payment of principal and interest on the Bonds. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Failure to obtain such approval or effect such registration would restrict our ability to receive from our PRC subsidiaries payment of principal and interest on any shareholder loans provided to them. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents our PRC subsidiaries from obtaining sufficient foreign currencies to satisfy their foreign currency demands for the payment of dividends and/or the repayment of principal and interest of shareholder loans, we may not be able to satisfy our obligations under the Bonds.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

In October 2005, SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (''Circular 75'') which became effective on November 1, 2005. On July 4, 2014, Circular 75 was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (''Circular 37'') issued by SAFE. Circular 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an ''offshore SPV'') with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any individual PRC resident who is the shareholder of an offshore SPV is required to update his or her SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV, such as its company name, business term, shareholding by individual PRC resident, merger, division and, with respect to the individual PRC resident, in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Circular 37 only recently came into effect and how it will be interpreted and applied by the relevant SAFE authorities remains unknown. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increase in registered capital of, payment of dividends and other distributions to, and capital inflows from, the offshore SPV. Failure to comply with Circular 37 may also subject relevant individual PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If our beneficial owners are unable or fail to comply with the registration procedures set out in Circular 37, our PRC subsidiaries may not be able to remit foreign currency payments out of China, which would affect our ability to service our offshore indebtedness, including the Bonds, and may materially and adversely affect our business operations.

There are significant uncertainties under the EIT Law relating to the determination of residency, the withholding tax obligations of the Company and our PRC subsidiaries, and the application of PRC income tax to interest payments under and any gain on the sale of the Bonds.

Under the EIT Law, the profits of a foreign invested enterprise arising in or after 2008 and which are later distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10% if the immediate holding company is determined by the PRC tax authority to be a non-resident enterprise for PRC tax purposes, unless there is an applicable tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. However, according to the Circular on State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties, which became effective on October 1, 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under relevant taxation treaties. According to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity.

In addition, under the EIT Law, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered to be PRC resident enterprises for tax purposes. We currently take the position that we are not a PRC resident enterprise for tax purposes; however we have not sought confirmation from the relevant PRC tax authorities of, and therefore cannot assure you that such authorities will agree with, our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income (although dividends received from our PRC subsidiaries may in that case be exempt from PRC tax).

Furthermore, as described in “Taxation—PRC,” if our Company is treated as a PRC “resident enterprise,” interest payable to holders of the Bonds who are “non-residents,” and any capital gains realized by such holders upon any transfer of the Bonds, may be treated as income derived from sources within China and be subject to PRC tax (which in the case of interest may be withheld at source) at a rate of 10% for such enterprise holders or 20% in the case of individual holders, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China. If any non-resident holder of the Bonds is required to pay PRC income tax on the transfer of the Bonds, the value of their investment in the Bonds may be materially and adversely affected. Moreover, if we are required to withhold PRC income tax on interest payable to non-resident holders of the Bonds, then subject to certain exceptions, we will be required under the Terms and Conditions of the Bonds to pay such additional amounts as will result in receipt by any such holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have an adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

In addition to the uncertainty as to the application of the “resident enterprise” classification, there can be no assurance that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance.

Uncertainties with respect to the PRC legal system could have an adverse effect on our operations.

The PRC legal system is based on written statutes. Unlike under common law systems, decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These and other laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is partly based on government policies and administrative rules that may have a retroactive effect, meaning that we may not be aware of our violation of these policies and rules until sometime after the violation. In circumstances where we have to resort to administrative and judicial proceedings in order to enforce the legal protections that we enjoy either by law or contract, given that PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings and the level of legal protections we enjoy. These uncertainties may impede our ability to enforce the contracts into which we have entered with our business partners, customers and suppliers. Furthermore, any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention, which in turn could have a material adverse effect on our business, financial condition and results of operations.

In addition, we cannot predict the effects of future developments in the PRC legal system. In the future we may be required to procure additional permits, licenses, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all, or we may be subject to more stringent requirements when it comes time to renew the permits, licenses, authorizations and approvals that we currently have. Any failure to obtain or renew such permits, licenses, authorizations or approvals may have an adverse effect on our business, financial condition and results of operations.

It may be difficult to serve process within the PRC or to enforce any judgment obtained from non-PRC courts against us or our directors.

A majority of our operating subsidiaries are incorporated in the PRC, substantially all of our directors currently reside within the PRC and a majority of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of civil and commercial judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our directors resident in the PRC pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments in courts outside the PRC might be difficult or impossible.

Our operations and financial performance could be adversely affected by labor shortage, increase in labor costs and changes to the PRC labor-related law and regulations.

The PRC Labor Contract Law became effective on January 1, 2008, and was amended on December 28, 2012, with effect from July 1, 2013. The current PRC Labor Contract Law has imposed greater liabilities on employers and significantly increased the cost of an employer's decision to reduce its workforce. The PRC government has continued to introduce various other new labor-related regulations after the promulgation of the PRC Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigation. If we are deemed in violation of such labor law and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to the general economic and social conditions in the PRC, in particular, in regions where we conduct our business. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1) or Middle East Respirating Syndrome, or MERS. For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and in April 2013, another earthquake and aftershocks hit Sichuan province again, both resulting in tremendous loss of lives, injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai and Jiangsu, Zhejiang and Anhui provinces. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE BONDS AND THE STANDBY LETTER OF CREDIT

The bonds are unsecured obligations.

The Bonds are unsecured obligations of the Company. The payment of the principal and the interest of the Bonds may be adversely affected if the Company enters into bankruptcy, liquidation, reorganization or other winding-up proceedings, or there is a default in or acceleration of payment under the Company's existing or future secured indebtedness or other unsecured indebtedness. If any of these events were to occur, the rights of the Bondholders to receive payment pursuant to the Bonds may be subordinated to those of the creditors of the Company as a result of rule of law or secured priority in payment. There can be no assurance that the Company will have sufficient cash to pay amounts due on the Bonds after it satisfies the obligation due to other creditors.

The ratings of the Bonds may be downgraded or withdrawn.

The Bonds are expected to be rated “A1” by Moody’s. The rating represents the opinion of the rating agency and its assessment of our ability or the ability of the LC Bank to perform our and their respective obligations under the Bonds and the Standby Letter of Credit, and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. We are not obligated to inform holders of the Bonds if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and our ability to access the debt capital markets.

The insolvency laws of the Cayman Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

Because we are incorporated under the laws of the Cayman Islands and the LC Bank is a branch of Agricultural Bank of China Limited (“ABC” or the “Bank”) which is incorporated under the laws of the PRC, any insolvency proceeding relating to us or the LC Bank would likely involve insolvency laws of the Cayman Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Although we have made an application for the Bonds to be admitted to the Official List of the Irish Stock Exchange, we cannot assure you that we will obtain or be able to maintain a listing on the Official List of the Irish Stock Exchange, or that if listed, a liquid trading market will develop. None of the Initial Purchasers is obligated to make a market in the Bonds, and if the Initial Purchasers do so they may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is your obligation to ensure that your offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. See “Subscription and Sale.”

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in Euro. An investor who measures investment returns by reference to a currency other than Euro would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the Euro against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of issuers with business based in China is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

We may not be able to redeem the Bonds upon the due date for redemption thereof.

We will be required to redeem all of the Bonds at maturity or in the case of a Change of Control (as defined in the Conditions), and we may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Our failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be volatile. Factors such as variations in our consolidated revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rate fluctuations in prices for the securities of comparable companies, any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds trade. There is no assurance that these developments will not occur in the future.

If we are unable to comply with the restrictions and covenants in the Bonds or our other debt agreements, there could be a default under the terms of the Bonds or such other agreements, which could cause repayment of the relevant debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Bonds or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements. Furthermore, the Bonds and some of our other debt agreements contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may result in a default under other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that our assets and cash flows would be sufficient to repay in full all of such indebtedness, or that we would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to us.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement and the Standby Letter of Credit by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Agency Agreement or the Standby Letter of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Agency Agreement or the Standby Letter of Credit which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law. In addition, the Trustee may, without the consent of the Bondholders, authorize or waive any proposed breach or breach of the Bonds, the Trust Deed, the Agency Agreement or the Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this offering memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor’s overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each, a "Clearing System"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Bonds or Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate we will discharge our payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their accountholders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 9 (Events of Default) of the Terms and Conditions of the Bonds and the taking of enforcement steps pursuant to Condition 14 (Enforcement) of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to the financial condition of ABC.

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorization given by ABC, and if the LC Bank is unable to satisfy its obligations under the Standby Letter of Credit, relevant PRC law provides that ABC would have an obligation to satisfy the balance of the LC Bank's obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit will ultimately depend on the financial condition of ABC, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

Impaired loans and advances: ABC's results of operations have been and will continue to be negatively affected by its impaired loans. If ABC is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans ABC extends in the future, or ABC's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, ABC's financial condition could be materially and adversely affected.

Collateral and guarantees: A substantial portion of ABC's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If ABC is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, ABC's financial condition could be materially and adversely affected.

Loans to real estate sector and government financing platforms: ABC's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, ABC's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of ABC. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as neither ABC nor the LC Bank has waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and save for the paragraphs in italics, is in the text of the Terms and Conditions of the Bonds substantially in the form they will be endorsed on the definitive certificates and referred to in the Global Certificate.

The issue of the €200,000,000 in aggregate principal amount of 1.55 per cent. Credit Enhanced Bonds due 2018 (the "**Bonds**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorized by a resolution of the board of directors of China Huiyuan Juice Group Limited (the "**Issuer**") passed on June 18, 2015. The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about July 7, 2015 entered into between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds are the subject of an agency agreement (the "**Agency Agreement**") dated on or about July 7, 2015 entered into between the Issuer, the Trustee, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**"), Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**") and as initial principal paying agent (the "**Principal Paying Agent**"), other agents named therein, Citibank, N.A., Hong Kong Branch as the account bank (the "**Pre-funding Account Bank**") where the Pre-funding Account (as defined below) is held and as the account bank (the "**LC Proceeds Account Bank**") where the LC Proceeds Account (as defined below) is held. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Paying Agent, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated July 7, 2015 issued by Agricultural Bank of China Limited New York Branch (the "**LC Bank**"). The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and of those provisions of the Agency Agreement and the Standby Letter of Credit applicable to them. Copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders at all reasonable times during usual business hours at the principal place of business of the Trustee (presently at 39/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent.

All capitalized terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1. Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of €100,000 and integral multiples of €1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

*Upon issue, the Bonds will be evidenced by a global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V.*

*(“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”), and will be exchangeable for individual Bond Certificates only in the limited circumstances set out therein.*

In these Conditions, “**Bondholder**” or “**holder**” in relation to a Bond means the person in whose name a Bond is registered.

2. Transfers of Bonds

(a) Register

The Issuer will cause the register (the “**Register**”) to be kept at the specified office of the Registrar outside of the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 2(e) and 2(f) herein, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the Bondholder or his attorney duly authorized in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c) and in Condition 2(e), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Formalities Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but (i) upon payment by the relevant holder of any and all tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(f).

(e) Closed Periods

No holder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond, (ii) during the period of seven business days ending on (and including) any

Record Date (as defined in Condition 7(a)), (iii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b), or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the register of holders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any holder who requests one in writing.

3. Status, Standby Letter of Credit and Pre-funding

(a) Status

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Standby Letter of Credit and Pre-funding

The Bonds have the benefit of the Standby Letter of Credit, issued in favor of the Trustee, on behalf of itself and the Bondholders, by Agricultural Bank of China Limited New York Branch (the "**LC Bank**"). The Standby Letter of Credit shall be drawable by the Trustee as beneficiary upon the presentation of a demand by authenticated SWIFT sent by the Trustee or an agent of the Trustee on its behalf to the LC Bank (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead arrange for a demand to be physically presented at the counter of the LC Bank during the LC Bank's normal branch opening hours) to the effect that (i) the Issuer has failed to comply with this Condition 3(b) in relation to pre-funding an amount that is payable under these Conditions and/or failed to provide the Required Confirmations (as defined in this Condition 3(b)) in accordance with this Condition 3(b) or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees, costs, expenses, indemnity payments and all other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer.

Each drawing on the Standby Letter of Credit will be payable in Euro to or to the order of the Trustee at the time and to the account specified in the demand presented to the LC Bank. Payment received in respect of a demand will be deposited into the LC Proceeds Account.

Every payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bond or the Trust Deed.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in Euro and shall not, in aggregate, exceed the lesser of (A) €220 million and (B) the sum of (i) the amount of the aggregate principal amount of the Bonds plus (ii) interest payable in accordance with these Conditions plus (iii) any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer in connection with the Bonds, the Trust Deed and/or the Agency Agreement plus (iv) any additional amounts payable by the LC Bank under the Standby Letter of Credit as a result of any deduction or withholding on account of tax, set-off or otherwise (the "**Aggregate Liability Limit**"). The Standby Letter of Credit expires at 5:00 p.m. (New York City time) on August 6, 2018.

In order to provide for the payment of any amount in respect of the Bonds (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Trust Deed, by no later than the Business Day (the "**Pre-funding Date**") falling ten Business Days prior to the due date for such payment under these Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorized Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which has been paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (New York City time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (New York City time) on the Business Day immediately following the Pre-funding Date, the Trustee shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and/or provide the Required Confirmations in accordance with these Conditions and shall by no later than 11:00 a.m. (New York City time) on the second Business Day following the Pre-funding Date issue a demand notice under the Standby Letter of Credit to the LC Bank for amounts representing, in aggregate, 100 per cent. of the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, amounts representing, in aggregate, 100 per cent. of the difference between (x) the full amount of the Relevant Amount and (y) the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "**Demand**"). The Trustee may, but need not physically present such Demands to the LC Bank, the Trustee shall be entitled to submit such Demands by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead arrange for a Demand to be physically presented at the counter of the LC Bank during the LC Bank's normal branch opening hours). After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (New York City time) on the second Business Day immediately following receipt of such Demand (or, if such Demand is received after 11:00 a.m. (New York City time) on a Business Day, the third Business Day immediately following receipt of such Demand), pay to or to the order of the Trustee the amount in Euro specified in the Demand to the LC Proceeds Account. Any such Demand will be subject to the Aggregate Liability Limit.

For the purposes of this Condition 3:

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System (and any successor thereof) is operating (a "**Target Business Day**") and banks are open for business in Hong Kong, London and New York City;

“**LC Proceeds Account**” means a Euro denominated account established in the name of the Trustee with the LC Proceeds Account Bank;

“**Pre-funding Account**” means a Euro denominated account established in the name of the Issuer with the Pre-funding Account Bank; and

“**Payment and Solvency Certificate**” means a certificate stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (a) payment of the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3(b), and (b) the Issuer is solvent, in substantially the form set forth in the Trust Deed.

4. Covenants

(a) Rating

The Issuer undertakes, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, it will maintain a rating on the Bonds by a Rating Agency.

(b) Provision of Information by the Issuer

So long as any Bond remains outstanding, the Issuer shall file with the Trustee:

(a) as soon as they are available, but in any event within 120 calendar days after the end of each Relevant Period (and in the case of any Compliance Certificate, as soon as possible but in any event no later than fourteen days following receipt of a written request from the Trustee), copies of the relevant Issuer Audited Financial Reports in the English language, together with a Compliance Certificate of the Issuer (on which the Trustee may conclusively rely as to such compliance); and

(b) as soon as they are available, but in any event within 90 calendar days after the end of each Relevant Period, copies of the relevant Issuer Semi-Annual Unaudited Financial Reports in the English language, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Issuer, to the effect that the relevant Issuer Semi-Annual Unaudited Financial Reports are true in all material respects and present fairly the financial position of the Issuer, as at the end of, and the results of its operations for, the Relevant Period;

provided that, if at any time the capital stock of the Issuer is listed for trading on a recognized stock exchange, the Issuer will file with the Trustee true and correct copies of any financial or other report filed with any recognized exchange on which the Issuer’s shares are at any time listed for trading in lieu of the reports identified in clauses (a) and (b) above, if such financial or other report is in English language, as soon as they are available but in any event not more than 10 calendar days after such financial or other reports of the Issuer are filed with such stock exchange,.

In these Conditions:

(i) “**Authorized Signatory**” has the meaning given to it in the Trust Deed;

(ii) “**Compliance Certificate**” means a certificate of the Issuer signed by any Authorized Signatory of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date not more than five calendar days before the date of the certificate:

(A) no Event of Default had occurred since the date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it; and

(B) the Issuer has complied with all its obligations under the Trust Deed and the Bonds;

(iii) "**Issuer Audited Financial Reports**" means annual consolidated financial statements of the Issuer, which include a statement of income, balance sheet and cash flow statement of the Issuer, audited by a member firm of independent accountants, together with the auditors' report and notes to the financial statements;

(iv) "**Issuer Semi-Annual Unaudited Financial Reports**" means semi-annual unaudited consolidated financial statements of the Issuer, which include a statement of income, balance sheet and cash flow statement of the Issuer prepared on a basis consistent with the Issuer Audited Financial Reports;

(v) "**PRC**" means the People's Republic of China, which shall for the purposes of these Conditions, exclude Hong Kong, Macau and Taiwan;

(vi) "**Rating Agency**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors or any other reputable credit rating agency of international standing.

(vii) "**Relevant Period**" means, in relation to each of the Issuer Audited Financial Reports, each period of twelve months ending on December 31, of the relevant financial year and in relation to the Issuer Semi-Annual Unaudited Financial Reports or the Company Semi-Annual Unaudited Financial Reports, each period of six months ending on June 30, of the relevant financial year; and

(viii) "**Subsidiary**" means, in relation to a person, any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of such person.

5. Interest

The Bonds bear interest on their outstanding principal amount from and including July 7, 2015 (the "**Issue Date**") at the rate of 1.55 per cent. per annum, payable annually in arrear on July 7 in each year (each, an "**Interest Payment Date**") commencing on July 7, 2016. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date (the "**Day Count Fraction**").

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period of less than a full year shall be equal to the product of the rate of interest specified above, the Calculation Amount and the Day Count Fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition 5, "business day" means a day (other than a Saturday, a Sunday or a public holiday) upon which commercial banks are generally open for business and settlement of Euro payments in Hong Kong, London and New York City.

6. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on July 7, 2018 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount together with interest accrued to the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice (i) that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after July 7, 2015, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (a) a certificate signed by any Authorized Signatory of the Issuer stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the existence of the circumstance set out in Condition 6(b)(ii) above, in which event they shall be conclusive and binding on the Bondholders.

(c) Redemption for Change of Control

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's

Bonds on the Change of Control Put Date (as defined below) at a redemption price equal to 100 per cent. of their principal amount, together with accrued interest to but excluding the Change of Control Put Date (as defined below). To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(c).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds, the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and the Trustee by not later than 14 business days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to any person for not doing so.

In this Condition 6(c):

a "**Change of Control**" means the occurrence of one or more of the following events:

(i) the merger, amalgamation or consolidation of the Issuer with or into another person (other than one or more of the Permitted Holders) or the merger or amalgamation of another person with or into the Issuer, or the sale of all or substantially all the assets of the Issuer to another person;

(ii) the Permitted Holders become the beneficial owners of less than 35 per cent. of the capital stock or the total voting power of the voting stock of the Issuer;

(iii) individuals who on the Issue Date constituted the board of directors of the Issuer, together with any new directors whose nomination for election or whose election to the board of directors was approved by the Permitted Holders or a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Issuer then in office; or

(iv) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"**Permitted Holders**" means any or all of the following:

(i) Mr. Zhu Xinli;

(ii) any estate and spouse or immediate family member of the person specified in clause (i) or any legal representative of any of the foregoing; and

(iii) any person both the capital stock and the voting stock of which (or in the case of a trust, the beneficial interests in which) are wholly owned by the person specified in clauses (i) and/or (ii).

(d) Purchase

The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

(e) Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer and its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7. Payments

(a) Method of Payment

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in Euro by cheque drawn on a bank and mailed (at the expense of the Issuer) to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account denominated in Euro maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in Euro, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the expense of the Issuer), on the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Agents

The Agents, initially appointed by the Issuer and their respective specified offices are listed below. The Agents, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar which will maintain a Register outside the United Kingdom, and (iii) a Transfer Agent and, in the event that any definitive Certificates are issued, (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC, as amended from time to time or any law implementing or complying with, or introduced in order to conform to, such Directive, in each case as approved in writing by the Trustee. Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to Trustee and other Agents and to the Bondholders in accordance with Condition 16.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, "**Payment Business Day**" means Target Business Day and a day on which banks and foreign exchange markets are open for business in Hong Kong and in the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to Euro denominated account.

8. Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including 10 per cent., the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding is in excess of 10 per cent. or any Cayman Islands, British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(a) *Other Connection:* held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong other than the mere holding of the Bond; or

(b) *Surrender More Than 30 Days after the Relevant Date:* in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) *Payment by Another Paying Agent:* held by a holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(d) *Payment to Individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, as amended from time to time, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) *Tax Declaration:* to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

For the avoidance of doubt, the obligation of the Issuer to pay Additional Tax Amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Bonds; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong or any political subdivision thereof or any authority thereof or therein having power to tax, with respect to the Trust Deed and the Agency Agreement or as a consequence of the issuance of the Bonds.

9. Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest.

An "**Event of Default**" occurs if:

(A) With respect to the Issuer

(a) **Non-Payment**: the Issuer fails to pay the principal of or any premium or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of seven business days; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Agency Agreement and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer, as the case may be; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds and/or to provide the Required Confirmations in accordance with Condition 3(b) and such amount has subsequently been paid by the LC Bank following a drawing on the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 9(A)(b); or

(c) **Cross-Default**: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(A)(c) have occurred equals or exceeds US$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(A)(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days; or

(f) **Insolvency**: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of its respective Principal Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except in either case for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Principal Subsidiary of the Issuer (as the case may be); or

(h) **Nationalization**: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or

(i) **Authorizations and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of England is not taken, fulfilled or done; or

(j) **Failure to take action etc**: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bond Certificates, the Trust Deed and the Agency Agreement admissible in evidence in the courts of England, is not taken, fulfilled or done; or

(k) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed or the Agency Agreement; or

(l) **Standby Letter of Credit**: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or

(m) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(A)(d) to 9(A)(h) (both inclusive).

In this Condition 9:

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(i) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

(ii) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of total revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or

(iii) whose total equity interest or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total equity interest, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated total equity interest as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of equity interest of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) or (iii) above of this definition:

(1) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer and its subsidiaries relate, the reference to the then latest consolidated audited accounts of the Issuer and its subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(2) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, total equity interest or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets, revenue or total equity interest (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(4) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (1) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has Subsidiaries), total equity interest (or consolidated total equity interest if the Subsidiary itself has Subsidiaries) or total assets (or consolidated total assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), total equity interest (or consolidated total equity interest if appropriate) or total assets (or consolidated total assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred during the preceding 12 months, exceeds 5 per cent. of the consolidated revenue, consolidated total equity interest or consolidated total assets of the Issuer and its Subsidiaries. The Trustee may conclusively rely on such certificate without further investigation.

A certificate prepared by the directors of the Issuer, that in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties.

(B) With respect to the LC Bank

(a) **Cross-Acceleration:**

(i) any other present or future Public External Indebtedness of the LC Bank or any of its Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or

(ii) any such Public External Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period,

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds US$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(B)(a) operates); or

(b) **Insolvency**: the LC Bank or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the LC Bank or any of its Subsidiaries; or

(c) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the LC Bank or any of its Subsidiaries, or the LC Bank ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary of the LC Bank, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the LC Bank or another Subsidiary of the LC Bank; or

(d) **Authorizations and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable LC Bank lawfully to enter into, exercise its rights and perform and comply with its obligations under the Standby Letter of Credit (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Standby Letter of Credit admissible in evidence in the state and federal courts located in New York is not taken, fulfilled or done; or

(e) **Illegality**: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit; or

(f) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(B)(b) or 9(B)(c).

In this Condition 9(B):

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank or any Subsidiary of the LC Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, loan stock, or other securities which for the time being are, or are intended to be or capable of being, listed, quoted or dealt in or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

“**Subsidiary of the LC Bank**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank.

10. Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Standby Letter of Credit. Such a meeting may be convened by the Trustee or the Issuer, and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution or (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 13 or a modification pursuant to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the holders of the Bonds to exercise their powers to vote for or against any Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions for the benefit or in the interests of any group or class of holders as a whole and not merely individual holders is excluded to the fullest extent permitted by law.

(b) Modification of the Conditions, Trust Deed, Agency Agreement and Standby Letter of Credit

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorization or waiver shall be notified by the Issuer to the Bondholders as soon as practicable. The Issuer shall notify as soon as possible the Rating Agency of any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

(d) Certificates and Reports

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice or opinion of any lawyers, accountants, financial advisers, financial institution or any other expert or adviser, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, in such event, such report, confirmation or certificate or advice shall be binding on the Issuer, the LC Bank, the Trustee and the Bondholders.

13. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if (i) the Rating Agency has been informed of such issue; (ii) such issue will not result in any change in the then credit rating of the Bonds and (iii) a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of

Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and interest payments due on such further securities) and (iv) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental or replacement or amended standby letter of credit.

14. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or the LC Bank as it may think fit to enforce the terms of the Trust Deed and the Bonds and, where appropriate, to draw down on the Standby Letter of Credit, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds for the time being outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15. Indemnification of the Trustee

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses and all other amounts in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the LC Bank and any entity related to the Issuer and/or the LC Bank without accounting for any profit.

16. Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, any notice to the Bondholders shall (notwithstanding the preceding provisions of this Condition 16) be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18. Governing Law and Jurisdiction

(a) Governing Law

The Bonds and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed, are governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and the Trust Deed, and any non-contractual obligations arising from them, and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Trust Deed, and any non-contractual obligations arising from them ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions of the Bonds (the "**Conditions**" set out in this offering memorandum. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions.*

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Notices

Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, any notice to the Bondholders shall (notwithstanding the preceding provisions of Condition 16 of the Conditions) be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(b) of the Conditions may be exercised by the holder of the Global Certificate giving notice to any Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately €197.3 million, which we plan to use for refinancing and other general corporate purposes. We plan to use a portion of the net proceeds from this offering to repay a certain bank loan.

We may adjust our business plans in response to changing market and business conditions and therefore reallocate the use of the proceeds.

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to December 31, 2013, the value of the Renminbi appreciated by approximately 26.9% against the U.S. dollar. On March 17, 2014, the PBOC further widened the floating band against the US dollar to 2.0%. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	**Noon buying rate**			
	Period end	**Average**[(1)]	**High**	**Low**
		(RMB per US$1.00)		
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2303	6.3085	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.1990	6.2386	6.2741	6.1955
April	6.2018	6.2010	6.2185	6.1927
May	6.1980	6.2035	6.2086	6.1958
June (through June 12[(2)])	6.2081	6.2027	6.2081	6.1976

Source: Federal Reserve H.10 Statistical Release

Notes:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for average rates for periods in 2015, which are determined by averaging the daily rates during the respective periods.

(2) On June 12, 2015, the noon buying rate was US$1 = RMB6.2081.

EURO

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Euro as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average(1)	High	Low
	(US$ per €1.00)			
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3779	1.3281	1.3816	1.2774
2014	1.2101	1.3297	1.3927	1.2101
December	1.2101	1.2329	1.2504	1.2101
2015				
January	1.1290	1.1615	1.2015	1.1279
February	1.1197	1.1350	1.1462	1.1197
March	1.0741	1.0819	1.1212	1.0524
April	1.1162	1.0822	1.1174	1.0582
May	1.0994	1.1167	1.1428	1.0876
June (through June 12(2))	1.1278	1.1204	1.1307	1.0913

Source: Federal Reserve H.10 Statistical Release

Notes:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for average rates for periods in 2015, which are determined by averaging the daily rates during the respective periods.

(2) On June 12, 2015, the noon buying rate was US$1.1278 = €1.00.

CAPITALIZATION

The following table sets forth our indebtedness and capitalization as of December 31, 2014 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with our consolidated financial information and related notes included in this offering memorandum.

	As of December 31, 2014			
	Actual		As adjusted	
	(in thousands)			
	(RMB)	(USD)	(RMB)	(USD)
Cash and cash equivalents[1]	694,373	111,913	2,175,740	350,666
Current debt				
Borrowings	3,130,667	504,572	3,130,667	504,572
	3,130,667	504,572	3,130,667	504,572
Non-current debt				
Borrowings	327,782	52,829	327,782	52,829
2011 Convertible Bonds[2]	185,952	29,970	185,952	29,970
2014 Convertible Bonds	674,430	108,698	674,430	108,698
Bonds to be issued	—	—	1,481,367	238,753
	1,188,164	191,497	2,669,531	430,250
Total debt[3]	4,318,831	696,069	5,800,198	934,822
Total equity	10,599,720	1,708,365	10,599,720	1,708,365
Total capitalization[4]	11,787,884	1,899,862	13,269,251	2,138,615

Notes:

(1) As of December 31, 2014, cash and cash equivalents excluded restricted cash of RMB452.9 million. Restricted cash comprised letter of credit deposits for the purchase of equipment, deposit for notes payable and time deposits for bank borrowings. All of the restricted cash is denominated in Renminbi.

(2) We redeemed an aggregate principal amount of US$117.3 million of the 2011 Convertible Bonds on April 29, 2014. As of the date of this offering memorandum, an aggregate of US$32.7 million of the 2011 Convertible Bonds remains outstanding.

(3) Our total debt does not include capital commitments. We do not have any material contingent liabilities. We have also, since December 31, 2014, in the ordinary course of business, incurred additional borrowings to finance our business operations. These additional borrowings are not reflected in the table above.

(4) Total capitalization represents total non-current debt and total equity.

Except as otherwise disclosed above, there has been no material change in our capitalization since December 31, 2014.

DESCRIPTION OF THE COMPANY

OVERVIEW

We are a leading fruit and vegetable juice producer in China in terms of both sales revenue and sales volume according to Nielsen. With more than 22 years of leadership in the PRC fruit and vegetable juice industry, we have established an iconic and leading national brand which is widely recognized among Chinese consumers. We believe that we are uniquely positioned in the PRC fruit and vegetable juice industry with a vertically integrated business model which covers operations along the value-chain, from fruit-processing to juice production to sales and marketing. As of December 31, 2014, we produced a wide variety of fruit juices, vegetable juices, mixed fruit and vegetable juices and other beverages at 36 downstream bottling plants in China. We also produced fruit juice concentrates and purees and packaging materials at 12 upstream bases strategically located in China. We offered over 200 beverage products, with a selection of different fruit flavors and packaging sizes and types.

We categorize our juice products into three categories based on juice concentration levels: 100% juices, nectars and juice drinks. According to Nielsen, in 2014, we had a market share of 56.5% in the 100% juice market, 42.7% in the nectar market and 2.1% in the juice drinks market, each by sales volume in China. This ranked us as the number one 100% juice producer and the number one nectar producer by sales volume in China in 2014.

According to Nielsen, the 100% juice market segment was the fastest-growing among the various segments of the PRC fruit and vegetable juice industry in 2014. With increasing health and wellness awareness, rising disposable income and increasingly fast-paced lifestyles of Chinese consumers and the development of new sales and distribution channels, the 100% juice and nectar market segments of the PRC fruit and vegetable juice industry are expected to continue to experience rapid growth. We believe we are well positioned to leverage our strong market position and brand recognition to capitalize on the changing trends in the food industry and future growth opportunities.

On October 21, 2013, we completed the acquisition of China Huiyuan Industry Holding Limited, a leading producer of fruit juice concentrates and purees in China and one of the largest suppliers of such key raw materials for our juice production, from Mr. Zhu Xinli, our chairman and executive director. The 2013 Acquisition was of strategic significance to us, as it transformed us into a vertically integrated business with secure and long-term access to key raw materials. We believe it will also improve our quality and food safety controls, further diversify our revenue and profits, increase our business transparency by significantly reducing connected transactions, improve our operational efficiency and generate other potential synergies.

In March 2014, we entered into equity transfer agreements to acquire the entire equity interest in Suntory Foods and a 50% equity interest in Suntory Trading to establish a strategic partnership with Suntory China for the sale and development of Suntory branded products in China. As a result, we now have in our product portfolio new types of drink that we did not have before, including, for example, teas, coffee, flavored water and functional drinks. We believe these new products complement our existing offerings of core juice-based products.

In 2012, 2013 and 2014, our revenue was RMB3,980.8 million, RMB4,503.9 million and RMB4,592.1 million, respectively. We recorded a profit for the year attributable to equity holders of our Company of RMB16.2 million and RMB228.5 million in 2012 and 2013, respectively, and a loss for the year attributable to equity holders of our Company of RMB126.8 million in 2014.

RECENT DEVELOPMENT

On June 18, 2015, we entered into an agreement with Beijing Founder Fubon Financing Asset Management Co. Ltd. ("Founder Fubon"), an independent third party, whereupon one of our wholly owned subsidiaries agreed to sell, and Founder Fubon agreed to purchase, the entire equity interest in certain of our indirectly wholly owned subsidiaries for RMB1,812 million, subject to certain conditions. These subsidiaries are primarily engaged in the manufacture, processing and sale of fruit juice, beverage products and bottled water. With this transaction, we expect to realize an unaudited gain of approximately RMB216 million (on an after-tax basis). We do not expect this sale to result in any material adverse impact on our overall financial performance and operations. The sale is part of our overall transformation into smart and intelligent plants with increased production, reduced consumption, enhanced equipment utilization and greater operational efficiency. We believe that such transaction will enable us to optimize our capital structure, increase our cash reserves, reduce our fixed costs and enhance our overall profitability.

OUR STRENGTHS

We believe our success to date and potential for future growth can be attributed to a number of key strengths, including the following:

An iconic and leading juice brand in China with a long operating history

Since we commenced operations in 1992, we have established ourselves as a market leader in the fruit and vegetable juice industry in China. According to Nielsen, in 2014, we achieved the number one market position in the 100% juice and nectar market segments in China with a 56.5% and 42.7% market share, respectively, by sales volume.

Our iconic brand is widely recognized among consumers in China for freshness and quality in fruit and vegetable juices. Our 汇源 ("Huiyuan") trademark has been designated a "PRC Famous Trademark (中國馳名商標)" by the Trademark Office of the PRC State Administration for Industry and Commerce in 2002. We have also received numerous awards in recognition of our brand and our high-quality products from national and local governments, industry associations and leading research institutions, including the "China Consumer Top Choice Juice Brand (中國消費者果汁首選品牌)" and a "Leading Company in the PRC Fruit Juice Industry" (中國果汁行業領先企業) in 2012 by the China Market Research Center (中國市場調查研究中心) and the China Social Economy Decision-making Consultation Center (中國社會經濟決策諮詢中心), the "Listed Company with the Most Valued Brand (最具品牌價值上市公司)" in 2013 by the China Securities Golden Bauhinia Awards (中國證券金紫荊獎), an "Outstanding National Quality and Service Integrity Enterprise (全國質量和服務誠信優秀企業)" in 2014 by the China Association of Quality Inspection (中國質量檢驗協會), and a "Leading Brand Influencing China in 2014 (影響中國2014年度領軍品牌)" by the 2014 China Business Leaders and media Leaders Annual Conference (中國企業領袖與媒體領袖年會).

We study trends in consumer preferences and focus on identifying product attributes that are most valued by our customers. We continue to invest in educating consumers on the health and wellness benefits of juice and vegetable drinks through direct promotions, in-store advertisements, sponsored television events, advertising campaigns and online promotions. We believe that these capabilities will help us continuously increase our product sales and solidify our market position, thereby further enhancing the strength of our brand and creating a key barrier to entry for competitors.

Vertically integrated business model

The 2013 Acquisition was of strategic importance to us. We believe that, after the acquisition, we are uniquely positioned in the PRC fruit and vegetable juice industry with a vertically integrated business model which covers operations along the value chain from fruit processing to juice production to sales and marketing. We believe that such vertical integration benefits us in the following principal aspects:

- ***Improvement in quality and food safety controls***. Maintaining high quality and safety of our products is one of our highest priorities, as it is critical to the sustained confidence in our brand. Vertical integration provides us with more visibility and control over the production process from sourcing and production to sales and distribution, enabling us to implement high standards of food quality and safety along the entire production chain.

- ***Long-term access to key raw materials***. Vertical integration provides us with long-term access to key raw materials for juice production, including fruit juice concentrates and purees as well as packaging materials. By directly sourcing from fruit producers, we believe that we will reduce our exposure to fluctuations in key raw materials such as fruit juice concentrates and purees.

- ***Shortened development cycle for new products***. Vertical integration allows us to detect and capture changing consumer tastes, rapidly react with new product offerings and thus shorten the development cycle for new products, which not only creates operational synergies, but provides us with new sources of revenue and profitability for us.

Strong core product portfolio supported by solid research and development capabilities

We have developed an extensive product portfolio across the 100% juice, nectar and juice drink segments of the PRC fruit and vegetable juice market. We produce a broad range of fruit and vegetable juices with various flavors and concentrations, catering to different customer tastes and preferences. We currently offer 100% juices of seven different flavors, nectars of 17 different flavors and juice drinks of 15 different flavors. 100% juices have been our core products with a firm market leadership.

Capitalizing on the market leadership of our core products, we have developed new products with different packagings and flavors. We believe that our research and development capabilities provide us with a distinct advantage in new product development. To identify the latest market trends and better understand consumer preferences, we continuously conduct research on national and regional fruit and vegetable juice markets and collect feedback from consumers. Our research focuses on identifying product attributes that are most valued by our customers. We believe these efforts allow us to quickly develop new products and capture the market opportunities created by these emerging trends. For example, we introduced a juice-flavored sports drink called Freenergy and Little-Moments-series nectars and juice drinks with plant protein in 2014, which has been favorably received by the market.

We employ a rigorous new product development process. Our Huiyuan Research Institute (滙源研究院) has been accredited as a Beijing Enterprise Technology Center (北京市企業技術中心) since 2007 and as an approved laboratory by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) in 2013. Our strong and extensive research and development capabilities have allowed us to develop over 580 different products as of the date of this offering memorandum. We have successfully launched many of these products over the course of our history.

Strategically located manufacturing facilities

As of December 31, 2014, we had a robust national manufacturing network which included 36 downstream bottling plants and 12 upstream fruit processing and packaging material production bases to support our national sales and distribution network. The 12 upstream bases we acquired in our 2013 Acquisition are strategically located within the vicinity of orchards to ensure the high quality and freshness of our key raw materials.

Extensive nationwide sales and distribution network

We maintain a sales force of 11,000 personnel. We have direct sales channels focusing on first-tier cities and Key Account distribution channels. Our direct sales channel sells mainly 100% juices and nectars. As of December 31, 2014, we had 14 direct sales companies covering major cities like Beijing and Shanghai. As of December 31, 2014, our sales and distribution network consisted of over 1,000 sales offices focusing on third- and fourth-tier cities and rural areas, around 3,000 distributors and around 2 million active points of sale covering around 1,700 cities nationwide. Our network extends from first-tier cities to third- and fourth-tier cities. We believe we also have a strong presence in rural areas in China. Our expansive sales and distribution network allows us to reach a wide range of consumers across multiple channels, including modern retail, traditional retail, restaurants and catering, specialty trade, and online retail. For example, we started a cooperation with Sinopec Chemical Commercial Holding Company Limited in September 2014 to market our products through Easy Joy convenient stores it operates. As of December 31, 2014, our products were offered at over 3,300 Easy Joy convenient stores. In addition, we are actively exploring O2O mode of marketing. By utilizing platforms operated by third parties, such as Okwei, Ele.me and Wechat, we are able to tap online customers.

To further improve the transportation and delivery efficiency of our products within our sales and distribution network, we entered into a transportation service agreement in May 2014 with Beijing Huiyuan Group (Suzhou) Zhaofeng Logistics Co., Ltd., an experienced logistics provider associated with Mr. Zhu Xinli. We believe our extensive nationwide sales and distribution network, together with our efficient use of experienced logistics providers, provides us with a competitive edge against our competitors in terms of accessing more customers and maintaining our market leadership.

Strong financing sources and diversified funding channels

We have received onshore and offshore financings from a number of leading PRC and international financial institutions. In the PRC, we have entered into loan agreements with major PRC lending banks including Bank of China, Agricultural Bank of China, China Merchants Bank, Export-Import Bank of China, Industrial and Commercial Bank of China, Bank of Beijing, Pudong Development Bank, China Citic Bank and Bank of Jiangsu. In addition, we have secured offshore loan facilities with China Development Bank Corporation Hong Kong Branch, Bank of Taiwan, Standard Chartered Bank (Hong Kong) Limited and other international lenders. We also obtained funding by accessing the international capital markets, issuing the 2011 Convertible Bonds and the 2014 Convertible Bonds, the latter of which was subscribed by Temasek, an internationally recognized financial investor. We believe our strong relationships with major PRC and international financial institutions and institutional investors will provide us with strong financing resources to fund our operations and enhance our liquidity positions.

Highly experienced and motivated management with proven track record

Our management team consists of seasoned executives with strong industry knowledge, extensive multinational experience and a track record of success in the food and beverage industry. Mr. Zhu Xinli, our chairman and executive director, who founded our Company in 1992, has more than 22 years of experience in the fruit and vegetable juice industry in China. Other members of our senior management include veterans and executives in the fruit and vegetable juice industry whose past experience includes positions at Lee Kum Kee, Pepsi, Philip Morris International, Proctor and Gamble and Kraft, among others.

In March 2014, we adopted the Employees Share Award Scheme and the CEO and Directors Share Award Scheme, under which we will grant shares to eligible members of our management team. We believe with such incentive schemes, we will not only motivate our management team for the continuing operation and development of our company, but also retain and further attract management talents for our business expansions.

OUR STRATEGIES

We intend to continue to strengthen and grow our business through the following strategies:

Continue to expand and streamline sales and distribution channels

We restructured our sales and distribution network in 2014 to improve its efficiency and effectiveness, and to better capture future market opportunities. We established over 1,000 sales offices in 2014, which form a network across China. Since October 2014, the performance of our sales office has been growing rapidly, which we believe has helped increase our products' penetration into third- and fourth-tier cities and selected rural areas. We have reorganized our sales force and established dedicated teams to serve targeted sub-segments of our sales and distribution channels, such as modern retail and restaurant and catering channels. We have dedicated sales staff assisting sub-distributors to expand our distribution coverage and increase points of sale in each province. We will continue to streamline our distributor network and focus on developing relationships with selected distributors with the capabilities, resources and intention to grow with us. We believe the restructuring will enable us to better manage our entire sales and distribution network and drive increased penetration, coverage and ultimately sales in our targeted markets.

Enhance brand image and market positioning through focused measures and promotions

We are repositioning our brand image to promote a livelier, fresher and more modern image and target a younger group of consumers. We have engaged Ogilvy & Mather as a strategic marketing partner in 2014 to achieve this goal. We are also working together with our partners to develop an entire brand architecture which includes a "Digital Marketing Center" plan, new product roadmap and website redesign. As another example, we entered into a strategic cooperation agreement with the Organizing Committee of 2015 Milan Expo as one of its official partners to sponsor two of the clusters at the 2015 Milan Expo. We consider it a good opportunity to enhance the international awareness of the juice industry in China.

We will further refine our marketing message to not only educate consumers about the health and wellness benefits of juice and vegetable drinks, but to guide their consumption behavior. For certain of our existing products, we will upgrade packaging to make them more appealing to retail customers, such as packaging for catering events and more colorful packaging targeting local customers. For some products, we will adjust the formula to enhance the taste and flavor or adapt to local tastes, such as products with vegetable protein content and products formulated especially for children. We will invest to develop more convenient packagings for our consumers to promote "throughout-the-day" and "on-the-go" consumption.

Streamline existing product portfolio and develop new products

We will continue to streamline our existing product portfolio to focus on high volume, high profit margin products that are the key contributors to our sales and profitability. We will adjust our sales and marketing resources to focus on these products and rationalize low volume, low profit margin products. At the same time, we are developing new and innovative products and flavors across all major market segments to capture current and emerging market demands dynamics. For instance, we entered into a framework agreement with Suntory (China) Holding Co., Ltd. in March 2014 in respect of the proposed acquisition of the entire equity interest in Suntory (Shanghai) Foods Co., Ltd. and a 50% equity interest in Suntory (Shanghai) Foods Marketing Co., Ltd. to include oolong tea and coffee beverage into our product mix. We believe that the strong capabilities of our research and development team, our unique strength in our upstream supply and our manufacturing capabilities will enable us to develop unique and innovative products. Whether they are traditional Chinese flavors, vegetable protein drinks, premium juices, or carbonated beverages, we believe we have accumulated knowledge and strong capabilities to successfully develop and scale these products.

Continue to expand into relatively under-penetrated regions and innovative distribution channels

We have historically developed a much stronger presence in the northern and north eastern regions of China. Despite our national sales and distribution network, we are still relatively under-represented in certain regions. We plan to invest in growing our presence in these under-penetrated markets that we believe have significant growth potential, including Southern China (such as Guangdong and Fujian provinces), East China (such as Shanghai and provinces of Jiangsu and Zhejiang) and Central China (such as Hubei province). For example, we have developed our third-party E-commerce platforms on websites such as JD.com, Tmall.com and YHD.com. For another example, in 2014, as a part of our "Digital Marketing Center" plan focusing on O2O (online to offline) sales channel, we formed strategic relationship with six influential online meal-ordering service apps, including ele.me and waimai.meituan.com. Through our market research, we discovered that their end-customers are also consumers we intend to target. As a result, we formulated and implemented a customized sales strategy to promote our products in their apps and subsequently achieved substantial growth in orders from them. We also launched our NFC-series juice beverages, which can be ordered online and delivered offline. In addition, we took the local to introduce "Speed Delivery" concept, which accelerates the "last units" in the sales cycle and develops a direct access to customers. Specifically, our LBS-positioning function allowed us to reach end-customers residing within a 3-kilometer radius of the sales office within 24 hours.

While we expand into under-penetrated regions, we will also pursue opportunities in historically under-invested channels, such as restaurants and catering, specialty trade, and online retail. As part of our sales force reorganization, we have created dedicated teams to service these channels. We believe that these channels will be significant contributors to our future growth and profitability.

Increase operating, supply chains and financial efficiency

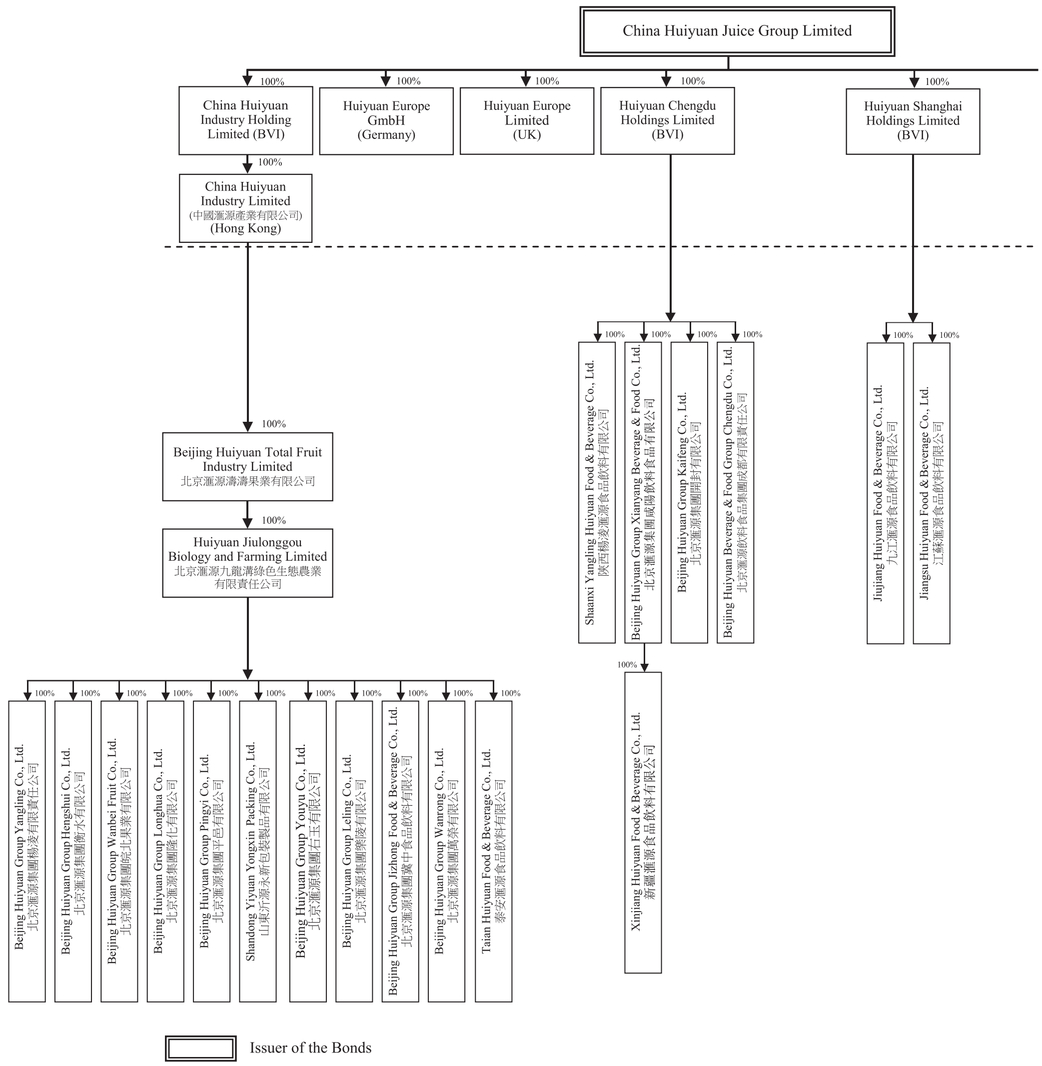
We believe that we can improve our operations with significant potential for economies of scale, higher manufacturing efficiency, better cost control, increased utilization and more stringent working capital management. We believe the growth of our core fruit and vegetable juice production and sale business and the streamlining of our sales and distribution channels will lead to improved cash flows and an improved trade turnover cycle.

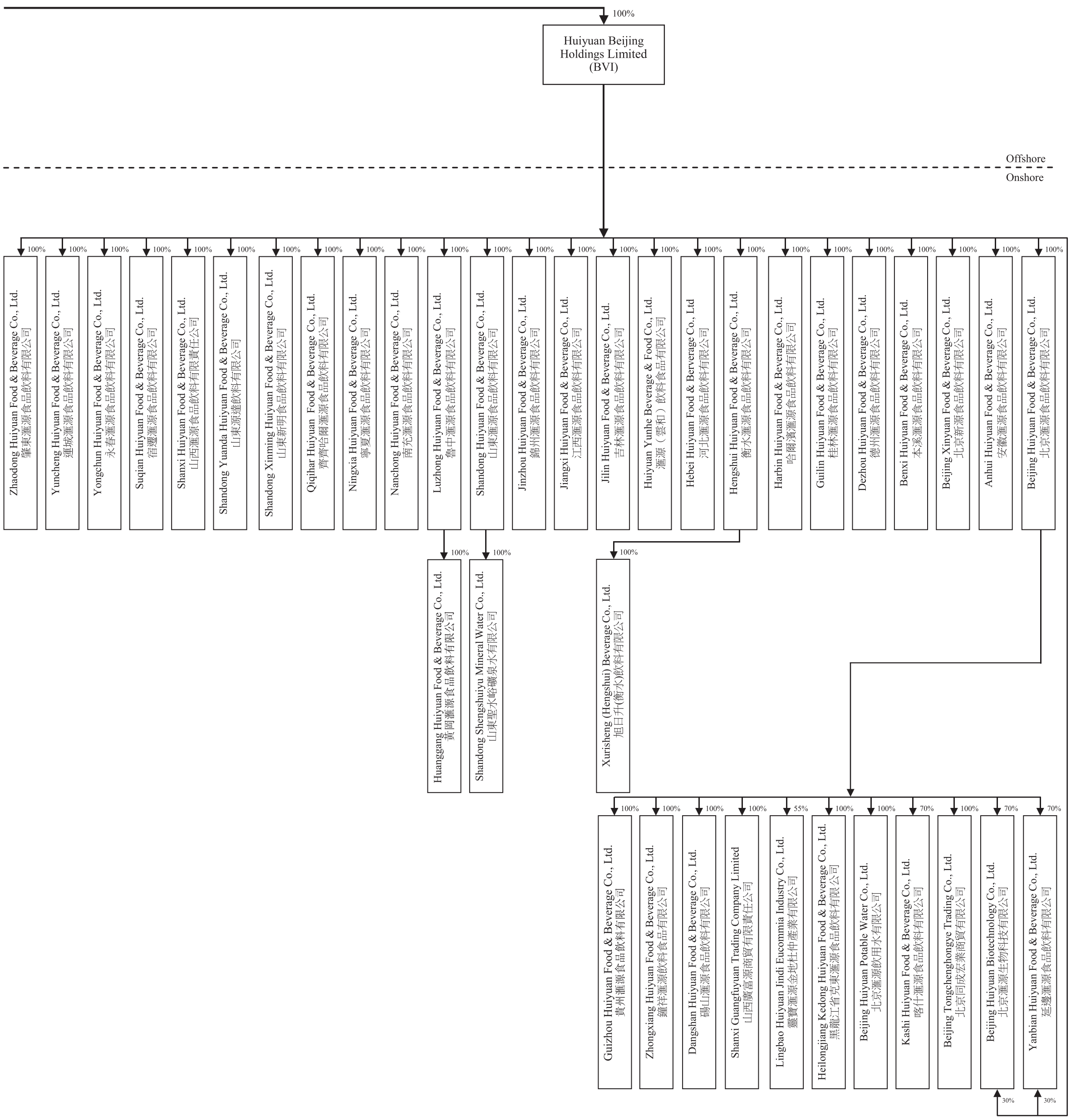
In 2013, we began a strategic review of our manufacturing network to enhance competitiveness, achieve higher production efficiency, reduce operating costs, reduce excess capacity, debt and financial leverage, and achieve a more optimal asset structure. As a result of this review, in June 2013, we disposed of our subsidiary, Shanghai Huiyuan Food & Beverage Co., Ltd., a historically loss-making facility due to the relatively high operating costs compared to our other facilities in the region. We disposed of our interest in Chengdu Huifu Real Estate Co., Ltd. and Beijing Huiyuan Group Huanggang Co., Ltd. in August 2013 and June 2014, respectively, for similar reasons. In addition to increasing our operating and supply chain efficiency, these transactions enabled us to monetize the value of these assets. We will continue to further evaluate ways to optimize our manufacturing network to strengthen its supply chain, improve operating efficiency, and enhance overall competitiveness.

With the expected increase in cash flows following improvements in our operating and supply chain, we plan to reduce our overall debt position and decrease the financial leverage of our business.

CORPORATE STRUCTURE

The following chart shows the corporate structure as of December 31, 2014:




100%
Huiyuan Beijing Holdings Limited (BVI)
Offshore
Onshore
Zhaodong Huiyuan Food & Beverage Co., Ltd. 肇東滙源食品飲料有限公司
Yuncheng Huiyuan Food & Beverage Co., Ltd. 運城滙源食品飲料有限公司
Yongchun Huiyuan Food & Beverage Co., Ltd. 永春滙源食品飲料有限公司
Suqian Huiyuan Food & Beverage Co., Ltd. 宿遷滙源食品飲料有限公司
Shanxi Huiyuan Food & Beverage Co., Ltd. 山西滙源食品飲料有限責任公司
Shandong Yuanda Huiyuan Food & Beverage Co., Ltd. 山東源達飲料有限公司
Shandong Xinming Huiyuan Food & Beverage Co., Ltd. 山東新明食品飲料有限公司
Qiqihar Huiyuan Food & Beverage Co., Ltd. 齊齊哈爾滙源食品飲料有限公司
Ningxia Huiyuan Food & Beverage Co., Ltd. 寧夏滙源食品飲料有限公司
Nanchong Huiyuan Food & Beverage Co., Ltd. 南充滙源食品飲料有限公司
Luzhong Huiyuan Food & Beverage Co., Ltd. 魯中滙源食品飲料有限公司
Shandong Huiyuan Food & Beverage Co., Ltd. 山東滙源食品飲料有限公司
Jinzhou Huiyuan Food & Beverage Co., Ltd. 錦州滙源食品飲料有限公司
Jiangxi Huiyuan Food & Beverage Co., Ltd. 江西滙源食品飲料有限公司
Jilin Huiyuan Food & Beverage Co., Ltd. 吉林滙源食品飲料有限公司
Huiyuan Yunhe Beverage & Food Co., Ltd. 滙源（雲和）飲料食品有限公司
Hebei Huiyuan Food & Beverage Co., Ltd 河北滙源食品飲料有限公司
Hengshui Huiyuan Food & Beverage Co., Ltd. 衡水滙源食品飲料有限公司
Harbin Huiyuan Food & Beverage Co., Ltd. 哈爾濱滙源食品飲料有限公司
Guilin Huiyuan Food & Beverage Co., Ltd. 桂林滙源食品飲料有限公司
Dezhou Huiyuan Food & Beverage Co., Ltd. 德州滙源食品飲料有限公司
Benxi Huiyuan Food & Beverage Co., Ltd. 本溪滙源食品飲料有限公司
Beijing Xinyuan Food & Beverage Co., Ltd. 北京新源食品飲料有限公司
Anhui Huiyuan Food & Beverage Co., Ltd. 安徽滙源食品飲料有限公司
Beijing Huiyuan Food & Beverage Co., Ltd. 北京滙源食品飲料有限公司
Huanggang Huiyuan Food & Beverage Co., Ltd. 黃岡滙源食品飲料有限公司
Shandong Shengshuiyu Mineral Water Co., Ltd. 山東聖水峪礦泉水有限公司
Xurisheng (Hengshui) Beverage Co., Ltd. 旭日升(衡水)飲料有限公司
Guizhou Huiyuan Food & Beverage Co., Ltd. 貴州滙源食品飲料有限公司
Zhongxiang Huiyuan Food & Beverage Co., Ltd. 鐘祥滙源飲料食品有限公司
Dangshan Huiyuan Food & Beverage Co., Ltd. 碭山滙源食品飲料有限公司
Shanxi Guangfuyuan Trading Company Limited 山西廣富源商貿有限責任公司
Lingbao Huiyuan Jindi Eucommia Industry Co., Ltd. 靈寶滙源金地杜仲產業有限公司
Heilongjiang Kedong Huiyuan Food & Beverage Co., Ltd. 黑龍江省克東滙源食品飲料有限公司
Beijing Huiyuan Potable Water Co., Ltd. 北京滙源飲用水有限公司
Kashi Huiyuan Food & Beverage Co., Ltd. 喀什滙源食品飲料有限公司
Beijing Tongchenghongye Trading Co., Ltd. 北京同成宏業商貿有限公司
Beijing Huiyuan Biotechnology Co., Ltd. 北京滙源生物科技有限公司
Yanbian Huiyuan Food & Beverage Co., Ltd. 延邊滙源食品飲料有限公司
55%
70%
30%

BUSINESS OF JUICE AND BEVERAGE PRODUCTION AND SALE

Products

Overview

We produce a broad range of fruit and vegetable juices and other beverages, including 100% juices (comprising various fruit juices, vegetable juices and mixed fruit and vegetable juices), nectars, juice drinks and other beverages (including primarily ready-to-drink teas and bottled water). In 2012, 2013 and 2014, sales of 100% juices, nectars and juice drinks together accounted for 75.6%, 81.5% and 78.3% of our total revenue, respectively.

The table below sets forth revenue of our juice and beverage business by product segment for the years indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Revenue (RMB)	(%)	Revenue (RMB)	(%)	Revenue (RMB)	(%)
	(in thousands, except for percentages)					
100% juices	1,108,029	27.8	1,204,666	26.7	1,261,306	27.5
Nectars	1,049,911	26.4	1,456,107	32.3	1,342,870	29.2
Juice drinks	851,881	21.4	1,011,206	22.5	989,708	21.6
Other	970,945	24.4	831,906	18.5	998,166	21.7
	3,980,766	100.0	4,503,885	100.0	4,592,050	100.0

100% Juices

We currently produce 100% juices of seven different flavors in both large family-size and individual serving size packagings. According to Nielsen, we were the number one producer in the PRC of 100% juices by sales volume in 2014 with a 56.5% market share. As consumption behavior has evolved with the changing pace of life, particularly in larger cities, juice products in individual serving size packagings which can be consumed "on-the-go" and "out-of-home" have shown significant growth. In addition to naturally flavored juices, we formulate and produce a variety of modified 100% juices such as juices fortified with vitamins and fibers or modified with sweet or sour tastes to meet the specific nutritional needs or taste preferences of different consumer groups. We package our 100% juices in aseptic packaging, which protects the juices from sunlight, air and bacteria and preserves their freshness and nutrition.

Nectars

Nectar products have a juice content of between 26% and 99%. According to Nielsen, we were the number one producer in the PRC of nectars by sales volume in 2014 with a 42.7% market share for the year.

We currently produce nectars of approximately 17 different flavors including orange, peach, apple and tomato flavors. We generally develop our flavors with reference to consumer preferences for nectars. We offer nectar products in large family size and single serving packaging. Our family size products remain the most popular in this category. Nectars are typically sold through similar channels as 100% juices but at lower prices. We package our nectar products in aseptic packaging, which typically retains our products' freshness at the room temperature for 12 months.

Juice Drinks

Our juice drinks generally include beverages with a juice content of 25% and less, and products with juice content not clearly reflected on their product labels. According to Nielsen, we were the number seven producer in the PRC of juice drinks by sales volume with a 2.1% market share in 2014.

We currently produce approximately 15 different juice drink flavors, including hawthorn, orange, apple and peach flavors that are sold in family or individual serving sizes. We package our juice drinks in aseptic packaging, which typically retains our products' freshness at room temperature for 12 months. In recent years, consumer demand of traditional Chinese flavors has had a significant impact on this category. In response, we introduced a rock-sugar hawthorn juice drink in 2013 which has been favorably received by the market.

Other Beverage Products

We also produce a wide range of other beverages, including ready-to-drink tea and bottled water, which is complementary to our core juice-based products. Our other beverage products also include OEM production and sales.

Production

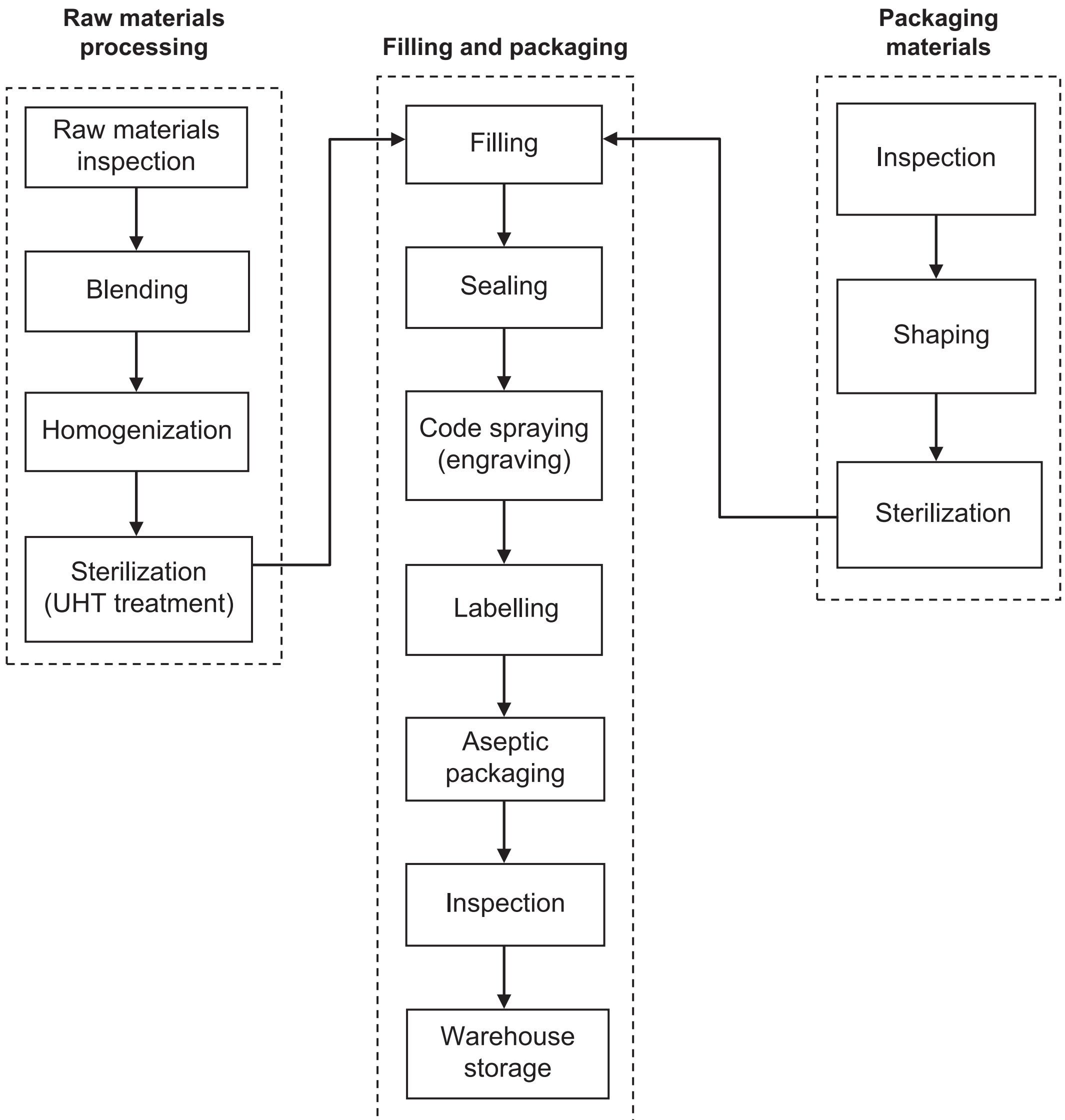
Production Facilities

As of December 31, 2014, our nationwide manufacturing network consisted of 36 downstream production bottling plants for fruit and vegetable juice beverages. Our downstream bottling plants are located in close proximity to our end-markets and are closely integrated with our sales and distribution network to enable us to offer better and quicker customer services, reduce transportation and other logistic expenses and improve the delivery speed of our products to market.

Production Process

It generally takes about one and a half hours to produce our 100% juices, nectars and juice drinks, from raw materials of juice concentrates and purees. Therefore, we have no work-in-progress products during our production.

The diagram below illustrates the process we use to produce our 100% juices, nectars and juice drinks:



Raw materials processing

- ***Raw materials inspection***. Our inspectors conduct sensory, microbiological and physiochemical tests in accordance with prescribed standards.
- ***Blending***. We blend different juice concentrates and purees in accordance with specified formulae.
- ***Homogenization***. Fruit and vegetable flesh and other substances in the liquid mixture are broken up and dispersed to create a smooth and uniform texture.
- ***Sterilization***. The liquid mixture is ultra-high temperature ("UHT") sterilized in a ducted sterilizer heated to 108±1°C for 15 seconds and thereafter cooled to a temperature of 25°C to meet the commercially accepted aseptic requirements.

Packaging Materials

- ***Shaping of the packaging materials***. Packaging materials are shaped either by using PET technology, SIG Combibloc or Tetra Pak packaging equipment according to different forms and sizes of packaging.

- ***Sterilization of the packing materials***. The packaging materials are sterilized before the packaging process in order to maintain aseptic conditions inside the packaging materials after filling in the liquid mixture.

Filling and packaging

- ***Aseptic packaging***. We package our products in a sterile environment to avoid contamination by air particles or micro-organisms.

- ***Inspection***. After packaging, all products undergo various final tests and inspections.

We utilize High Temperature Short Time ("HTST") technology to kill bacteria, avoiding the adverse impact of normal pasteurization from prolonged boiling that would lead to a reduction in and damages to vitamins. We are also one of the first beverage producers in China to introduce PET aseptic cold filling lines, and our fruit and vegetable juice beverages are bottled at 25°C which more effectively preserves the nutrition and taste of our products, compared to the traditional hot filling process.

Raw Materials and Suppliers

Principal Raw Materials

Juice concentrates and purees are the primary raw materials for our juice and beverage production. To secure our long-term access to a stable supply of key raw materials and to strengthen our food safety and quality control over our entire production process, in October 2013, we acquired the Acquired Group, a leading producer of fruit juice concentrates and purees in China. After the completion of the 2013 Acquisition, we believe that we are uniquely positioned in the PRC fruit and vegetable juice industry with a vertically integrated business model which covers operations along the value-chain from fruit-processing to sales and marketing. See "—Business of Juice Concentrates and Purees Production" below. We continue to purchase certain fruit juice purees and concentrates from third parties, in particular overseas suppliers, and we continue to purchase other raw materials such as sugar from other domestic suppliers.

Suppliers

In addition to sourcing raw materials from the Acquired Business, we have established long-term relationships with domestic and international suppliers of additional raw materials. As such, we are able to manage the quality, quantities and prices of juice concentrates and purees, external packaging materials and other raw materials for our production. We generally enter into annual purchase contracts with raw material suppliers to ensure our access to a sufficient supply of quality raw materials. As of the date of this offering memorandum, we have not experienced any interruption or shortage of raw materials supply that has materially affected our normal business operation.

We have built long-term relationships with our suppliers, most of which have been doing business with us for more than 10 years. We have a stable supply base and are not dependent on any single juice concentrate and puree supplier. Furthermore, most of the machinery and equipment we use to produce our products are purchased from overseas suppliers, such as Krones, SIG Combibloc and Tetra Pak, which are leading international suppliers of integrated processing, packaging and distribution line systems. In 2012, 2013 and 2014, the aggregate purchases from our five largest suppliers (excluding the Acquired Business) accounted for less than 30% of our total purchases for the same years, respectively.

In 2012, 2013 and 2014, our purchases of raw materials from related parties were RMB1,249.5 million, RMB504.9 million and RMB136.7 million, accounting for approximately 57.5%, 22.0% and 6.6% of our total raw materials used in inventories for the same years, respectively. The declining trend is primarily attributable to our 2013 Acquisition, which was completed in October 2013.

Sales and Marketing

With more than 22 years of leadership in the PRC fruit and vegetable juice industry, we have established an iconic national brand which is widely recognized among Chinese consumers. We believe that our iconic national brand, together with the scale and strength of our nationwide sales and distribution network, have been critical to the success of our business.

Branding

Our 汇源 ("Huiyuan") trademark has been designated a "PRC Famous Trademark (中國馳名商標)" by the Trademark Office of the PRC State Administration for Industry and Commerce in 2002. We have also received numerous awards in recognition of our brand and our high-quality juice products from national and local governments, industry associations and leading research institutions, including the "China Consumer Top Choice Juice Brand (中國消費者果汁首選品牌)" and a "Leading Company in the PRC Fruit Juice Industry" (中國果汁行業領先企業) in 2012 by the China Market Research Center (中國市場調查研究中心) and the China Social Economy Decision-making Consultation Center (中國社會經濟決策諮詢中心), the "Listed Company with the Most Valued Brand (最具品牌價值上市公司)" in 2013 by the China Securities Golden Bauhinia Awards (中國證券金紫荊獎), an "Outstanding National Quality and Service Integrity Enterprise (全國質量和服務誠信優秀企業)" in 2014 by the China Association of Quality Inspection (中國質量檢驗協會), and a "Leading Brand Influencing China in 2014 (影響中國2014年度領軍品牌)" by the 2014 China Business Leaders and media Leaders Annual Conference (中國企業領袖與媒體領袖年會).

We are repositioning our brand image to promote a livelier, fresher and more modern image and target a younger group of consumers. We have engaged Ogilvy & Mather as a strategic marketing partner to help achieve this goal. We have also worked with our partners to develop an entire brand architecture which includes an annual marketing and digital media plan for 2014, new product roadmap and website redesign. As another example, we entered into a strategic cooperation agreement with the Organizing Committee of 2015 Milan Expo as one of its official partners to sponsor two of the clusters at the 2015 Milan Expo. We consider it a good opportunity to enhance the international awareness of the juice industry in China. We will further refine our marketing message to not only educate consumers about the health and wellness benefits of juice and vegetable drinks, but to guide their consumption behavior. For certain of our existing products, we will upgrade packaging to make them more appealing to retail customers, such as packaging for catering events and more colorful packaging targeting local customers. For some products, we will adjust the formula to enhance the taste and flavor or adapt to local tastes, such as products with vegetable protein content and products formulated especially for children. We will invest to develop more convenient packagings for our consumers to promote "throughout-the-day" and "on-the-go" consumption.

Sales and Distribution Network

We maintain a sales force of 11,000 personnel. We have direct sales channels focusing on first-tier cities and Key Account distribution channels. Our direct sales channel sells mainly 100% juices and nectars. As of December 31, 2014, we had 14 direct sales companies covering major cities like Beijing and Shanghai. As of December 31, 2014, our sales and distribution network consisted of over 1,000 sales offices focusing on the third- and fourth-tier cities as well as selected rural areas, around 3,000 distributors and around 2 million active points of sale covering around 1,700 cities nationwide. Our network extends from first-tier cities to third- and fourth-tier cities. We believe we also have a strong presence in rural areas in China. Our expansive sales and distribution network allows us to reach a wide range of consumers across multiple channels, including modern retail, traditional retail, restaurants and catering, specialty trade, and online retail. We manage our sales and distribution network on the provincial level with key functions such as sales planning and trade marketing managed centrally.

We restructured our sales and distribution network in 2014 to improve its efficiency and effectiveness, and to better capture future market opportunities. We have reorganized our sales force to establish dedicated teams to service targeted sub-segments of our sales and distribution channels, such as modern retail and restaurant and catering channels. We have dedicated sales staff servicing sub-distributors to expand our distribution coverage and increase points of sale in every province. We will streamline distributor network and focus our developing relationships with selected distributors with the capabilities, resources and intention to grow with us. In addition, we will establish sales offices to focus on increasing our products' penetration into third- and fourth-tier cities and selected rural areas. We believe the restructuring will enable us to better manage our entire sales and distribution network and drive increased penetration, coverage and ultimately sales in our targeted markets.

Distributors

In 2012, 2013 and 2014, approximately 75% of our revenue was generally attributed to sales through distributors and approximately 25% to sales through direct sales branches, respectively. Our distribution network primarily services the modern retail and traditional trade channels. We also sell into the restaurant and catering and specialty retail channels. We select our distributors based on their distribution networks, warehouse facilities, transportation fleet, sales personnel, financial condition, credit worthiness and compatibility with our own business strategies. Our distributors contract sub-distributors in their respective regions to assist them in the distribution of our products to rural and remote areas.

Standard Distribution Agreements

We enter into standard distributor agreements with our distributors with flexible pricing adjustment structures, which require them to distribute designated products through designated sales and distribution channels. A majority of these agreements contain agreed targets in respect of sales and market coverage for our distributors. Our distributors generally enter into similar agreements with their sub-distributors. Our standard distribution agreements generally have a term of one year and are renewable on a yearly basis. Under the terms of these agreements, our distributors are allowed to sell both our products and products of other brands in their designated distribution areas. Distributors may pay us a lump sum to guarantee their obligations. We provide quality assurance to our distributors, with compensation for any losses arising from defective products during the shelf lives of relevant products, provided that relevant distributors give us prompt notices and that the quality problems have not been caused by their own actions. In 2012, 2013 and 2014, the aggregate sales to our five largest customers accounted for less than 30% of our total revenue for each of those years.

Pricing and Credit Policy

We price our products largely based on a combination of different factors, primarily our ability to differentiate our products from those of our competitors, the level of market competition, cost of raw materials, consumer preferences, our relationship with our distributors, market demand, supply of similar products and competition, and our marketing strategies and promotional activities. Other factors determining the pricing strategy of our products include packaging size, design and flavor of our products. We collect data for our product pricing through our sales and marketing department and sales representatives, as well as relevant research conducted by market research firms. We usually require our distributors to pay purchase prices in full upon product deliveries, but we have selectively granted certain of our distributors credit terms normally from 90 to 180 days.

Key Account Customer Service Department

We sell to our large corporate customers through our distributors and direct sales branches located in major cities in China. We generally enter into framework agreements on an annual basis with these large corporate customers. We also maintain a dedicated key account customer service department to assist our distributors and sales branches in negotiating and servicing large corporate customers, such as large chain supermarkets.

Advertising and Promotion

As a consumer goods company, we engage in advertising and promotional activities to raise consumer awareness of our brand and our products. These include traditional media advertising channels, such as television, print and outdoor, as well as new media advertising channels, such as the Internet, social networks and other digital media. In January 2014, we appointed Ogilvy & Mather China as our agency partner to carry out our 2014 marketing communication work to further elevate our brand in China's fruit and vegetable juice industry. Our investment in different media channels will shift as consumer behaviors change and media consumption evolves. Our branding and promoting efforts also include below-the-line activities such as in-store promotions and on-the-ground sales activities. These also include sponsoring popular events to promote our market image among younger consumers, co-branding initiatives with major brands, in-store promotion in certain retail outlets, hosting tours at our production facilities and supporting charities. We also often give away free product samples and provide bonus gifts as incentives for customers purchasing a minimum quantity of our products. In addition, we conduct themed promotion campaigns particularly during various festivals and the holiday seasons. Our marketing expenses are generally higher when we launch a new product or a new brand.

Logistics and Transportation

We outsource the transportation of our juice and beverage products to third-party logistics providers, with a view to reducing our capital investment and mitigating the risk of liability for transportation accidents and delivery delays or losses. We set stringent criteria for the selection of our third-party logistics providers. In addition, we re-evaluate the credentials and performance of our logistics providers on a periodic basis, which help us identify and terminate our relationships with logistics providers who do not meet our requirements. We have established long-term business relationships with quality logistics providers. Based on such relationships, we believe we have successfully reduced the risk of losses arising from performance failure of these logistics providers.

Our logistics providers deliver our products mainly by truck and rail from our production facilities to our distributors' warehouses. Our logistics department would generally liaise with distributors regarding the quantity and other information related to the delivery and contract third-party logistics providers to deliver the products. As of December 31, 2014, we had good working relationships with approximately 40 third-party logistics providers, including approximately nine railway transportation operators and approximately 36 truck transportation operators. Our distributors assume their own warehousing costs and the expenses for transporting products from their warehouses to sub-distributors or retailers.

Depending on the type of customers and the method and distance of product deliveries, we may bear the entire costs of transporting products to our distributors or may share the costs of product deliveries with our distributors. For overseas customers, we generally engage independent shipping agents and use sea freight.

Product Development

We have a dedicated product development team which is responsible for improving the quality of our products and diversifying our product portfolio. Our Huiyuan Research Institute (滙源研究院) has three core functions, including research and development, product testing and production technologies. As of December 31, 2014, we employed 11 experienced researchers at our Huiyuan Research Institute. Our Huiyuan Research Institute was accredited as a Beijing Enterprise Technology Center (北京市企業技術中心) in 2007 and as an approved laboratory by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) in 2013. Our Huiyuan Research Institute is also a member of the technology innovation and strategic alliances for apple production industry, orange production industry and fresh fruit and vegetable juice production industry.

We conduct research and analyses regularly on national and regional fruit and vegetable juice markets and collect market information to understand the latest market trends and consumers' preferences. We have established a rigorous process for new product development. Before we bring any new product to the market, we conduct extensive testing. Our Huiyuan Research Institute has developed over 580 kinds of juice-related products, tailored to specific regions and different consumer tastes and demands.

We also engage independent third-party research institutes such as Nielsen to conduct market surveys on consumer taste preferences and their nutritional needs. We collaborate with various industry experts to study prevailing market trends and consumer preferences (including taste and nutrition preferences) with a view to improving the efficiency of our production processes to capture emerging market opportunities.

Quality Control

Our juice and beverage business adheres to a strict system of quality control covering all aspects of our operations. With long-term access to key raw materials after the 2013 Acquisition, we are able to have more control over the juice and beverage production process from sourcing of raw materials to processing, packaging and inventory storage, and further to sales and distribution. We have received several international and domestic certifications attesting to our commitment to the production of quality juice and beverage products, including U.S. FDA, the U.S. GMA, the European Union SGF, KOSHER, HACCP, ISO9001, and ISO2200. We have implemented stringent food safety and quality control policies and systems in compliance with PRC requirements and standards throughout our production process.

Quality Assurance Team

Our quality assurance team closely monitors the quality standards of all our production facilities in order to ensure that we manufacture safe products in compliance with national standards. Our quality control system is designed to implement a standardized operation system across all our production facilities. We observe strict hygiene standards at all our production facilities.

All our products are inspected at each stage of the production process and further inspected post-production and at final checking before being distributed for sales. We have adopted standards for stockpiling height and storage conditions. Products in storage or in the course of distribution are also subject to regular quality audits.

We have a dedicated team of customer service personnel to ensure timely responses to any quality-related complaints or other customer concerns. Under our internal policy, our relevant staff is required to promptly handle and resolve all quality-related complaints upon receipt.

BUSINESS OF JUICE CONCENTRATES AND PUREES PRODUCTION

Historically, we have relied on the Acquired Group, owned by Mr. Zhu Xinli, for supply of fruit juice concentrates and purees as our key raw materials for production of fruit juice, fruit and vegetable juice and other beverages. The Acquired Group is a leading producer of fruit juice concentrates and purees in China and had been one of our largest suppliers. We believe that the 2013 Acquisition would help us secure our long-term access to a stable supply of key raw materials and strengthen our food safety and quality control over the entire production process, as well as diversify our income sources, enhance our financial strength and eliminate connected transactions.

After the completion of the 2013 Acquisition, we believe that we have become one of the few companies in the PRC fruit and vegetable juice industry with a vertically integrated business model, which we believe will give us competitive advantages. As a vertically integrated business with operations along the value chain, we have more visibility and control over the entire juice production process. Moreover, we are able to implement and maintain high standards of food safety and quality throughout our production processes.

Our juice concentrate and puree business supplies most of fruit juice concentrates and purees to our juice and beverage production business, and sells its products to a number of other leading food producers in China as well.

Products

Our juice concentrate and puree business primarily manufactures juice concentrates and purees and external packaging materials for the PRC fruit and vegetable juice industry. We offer fruit juice concentrates and purees of a number of different fruits such as apple, date, hawthorn, kiwi fruit, peach, pear, sea buckthorn and strawberry. The table below sets forth the revenue of our juice concentrate and puree business by product segment for the years indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Revenue (RMB)	(%)	Revenue (RMB)	(%)	Revenue (RMB)	(%)
	(in thousands, except for percentages)					
Fruit juice concentrates and purees	942,126	67.9	469,655	68.6	749,419	74.4
Packaging materials	446,184	32.1	215,001	31.4	257,368	25.6
Total	**1,388,310**	**100.0**	**684,656**	**100.0**	**1,006,787**	**100.0**

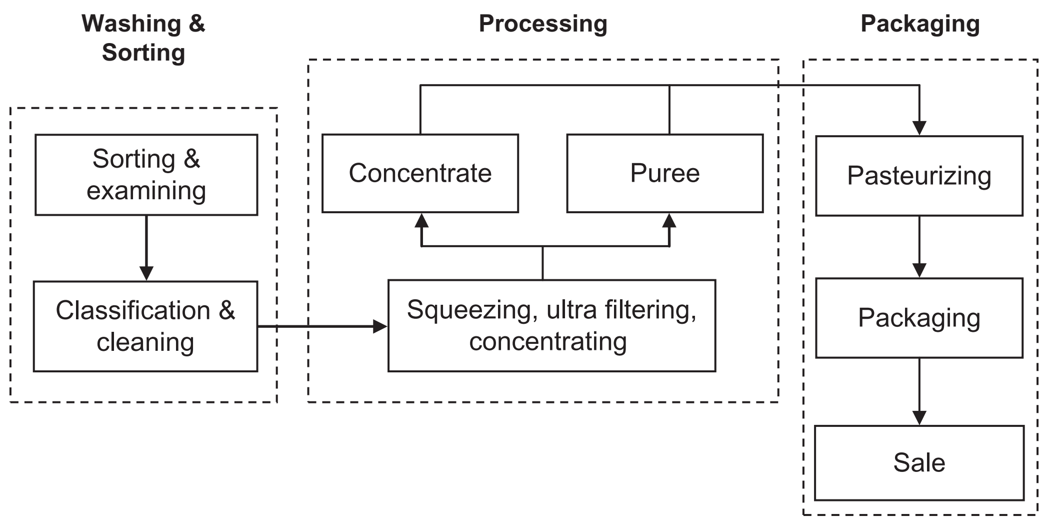
Production

As of December 31, 2014, we operated 12 upstream fruit processing and packing material production bases, which had a total of 26 production lines and a total annual designed production capacity of approximately 0.43 million tons of fruit juice concentrate and puree and packaging materials. We acquired these 12 upstream bases in October 2013 as part of the Acquired Business and they are strategically located within the vicinity of orchards, which we believe would help us to acquire and produce high quality juice concentrates and purees.

As of the same date, we also owned 36 downstream bottling plants, which had a total of 204 production lines and a total annual designed production capacity of approximately 6.0 million tons of fruit and vegetable juice beverages.

Production Process

The diagram below illustrates the process through which we produce juice concentrates and purees:



The production process for our juice concentrates primarily comprises fruit washing, crushing, pressing, separation, filtration, concentration and packaging. The production process for our fruit purees primarily comprises fruit washing, crushing, enzyme destruction, centrifugal separation and degassing and packaging.

Raw Materials and Suppliers

The primary raw materials of our juice concentrate and puree business consist of fresh fruits, PET chips and paper cardboard. We generally procure these raw materials from domestic suppliers in China. We have established centralized procurement and inspection policies to ensure that the supply of raw materials, particularly the supply of fresh fruits, meets the requisite standards and requirements in accordance with the PRC safety and health regulations.

Our major suppliers of fresh fruits are individual fruit farmers. We procure fresh fruits from fruit farmers via agents. As of December 31, 2014, we had a full-time fresh fruit procurement team with 130 employees who performed market research on output and selling prices of relevant fruits and assessed market demand and supply of these fruits in key plantation areas during different harvesting seasons each year. Based on the research results, our procurement team formulates plans, selects agents and negotiates purchase prices with them. We generally enter into annual supply agreement with cooperatives or agents who procure fresh fruits from individual fruit farmers. The terms of annual supply contracts are standard and these contracts are renewable annually upon negotiation between the parties. Under the terms of annual supply contracts, prices of fresh fruits are determined based on relevant prevailing market prices and after our purchases, agents (or cooperatives, as the case may be) are responsible for coordinating and arranging the relevant logistics and delivery of fruits to our production facilities.

We have increased the number of fresh fruit suppliers to meet our sales growth. As of December 31, 2014, we had entered into annual supply agreements with agents which procured fresh fruits from farmers and cooperatives covering a total fruit plantation area of 6.0 million acres nationwide in China. Our fruit concentrate and puree production plants are strategically located in close proximity to our major suppliers of fresh fruits.

Sales and Marketing

Our juice concentrate and puree business has established a sales team with six employees. In our vertically integrated business model, our juice concentrate and puree business supplies most of fruit juice concentrates and purees to our juice and beverage business and the remainder to a number of other leading food producers in China. These customers can elect to pick up products at our production sites or pay us transportation costs for delivery of products to their designated locations.

Product Development and Quality Control

To meet our end-customers' needs, we place strong emphasis on the continuous improvement of our juice concentrate and puree products and relevant production technologies. Moreover, we have implemented stringent quality control measures for our production of juice concentrates and purees. Members of our senior management are actively involved in formulating internal quality control policies, managing our quality control practices and overseeing performance of our dedicated quality control teams. We evaluate our major fruit suppliers on a regular basis and perform routine inspection and sample testing of the quality of fresh fruits upon arrival at our production facilities. We have replaced the traditional thermal processing technique with our ultra-high temperature sterilization technique which effectively eliminates undesirable microbes and ensures the quality of juice concentrates and purees while preserving the nutrients and flavors of fresh fruits. Moreover, we perform routine inspections and sample testing of juice concentrates and purees during production to ensure quality of these products. To continuously improve the quality of juice concentrates and purees, we further examine and identify quality control issues and resolve any of these issues as soon as it arises.

As of December 31, 2014, we had 14 personnel in our in-house research and development and quality control department for our juice concentrate and puree business. With respect to our production of juice concentrates and purees, we have received several international certifications, including the U.S. FDA, the U.S. GMA, the European Union SGF, KOSHER, HACCP, ISO9001, and ISO2200 certifications, demonstrating our commitment to high product quality of juice concentrates and purees.

ENVIRONMENTAL PROTECTION

Pollutants generated from our production include wastewater from the cleaning of the facilities and the sterilization process, and gas emissions from the combustion of coal and other fuels.

Our engineering department is responsible for formulating and implementing environmental protection measures, including the installation of wastewater treatment facilities and dust catchers to the boilers. Other than adopting advanced aerobic bio-treatment methods and water mill dust-removing methods to treat wastewater and gas emissions, we are also devoted to improving our production efficiency by research and development of our production technology to consume less energy and generate less wastewater and gas emissions. Meanwhile, we also generate less wastewater and gas emissions by installing water-saving equipment and using energy-saving materials at our production facilities.

We have already implemented the ISO 14000 environmental management system. We will continue to further improve the operational quality of our production, and apply high environmental protection standards in our production to reduce potential environmental issues.

INSURANCE

As of December 31, 2014, we maintained three categories of property insurance to cover our main plant and equipment and cash, and public liability insurance. In line with industry practice, we do not maintain product liability insurance, as it is not required under the PRC law. We have also formulated contingency measures in relation to emergencies. We have not encountered any safety related accidents that had any significant impact on our operations.

INTERNAL CONTROLS AND RISK MANAGEMENT

Our 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 legislations, regulations and best practices are complied with. Our board of directors has delegated to the financial management and audit committee (the "Audit Committee") the responsibility for reviewing the effectiveness of our internal control system. The Audit Committee collaborates with our internal audit department to carry out internal audit work based on an internal audit plan which is reviewed and approved by the Audit Committee.

INTELLECTUAL PROPERTY

Our intellectual property rights are of material importance to our business. As of December 31, 2014, we had 123 registered trademarks and 39 patents in the PRC, and all of our registrable intellectual property rights that are core to our business had been duly registered. We have not received claims that we have materially infringed any third-party intellectual property rights.

PROPERTIES

As of December 31, 2014, we owned 65 parcels of land (with an aggregate area of approximately 7,409,083 square meters) and 294 buildings or units (with an aggregate gross floor area of approximately 1,359,176 square meters) located in 34 cities in China for use as production facilities and offices.

We have obtained the land use rights certificates for 52 parcels of our land. For the remaining 13 parcels of land with an aggregate site area of approximately 1,608,458 square meters, we have subsequently obtained or are currently applying for the land use rights certificates.

We have obtained the real estate ownership certificates of 43 self-owned buildings or units (with an aggregate gross floor area of approximately 441,455 square meters), and we have the right to transfer, lease, mortgage or otherwise dispose of these properties. For the remaining buildings or units with an aggregate gross floor area of approximately 917,720 square meters, we have subsequently obtained or are in the process of applying for the real estate ownership certificates.

EMPLOYEES

As of December 31, 2014, we had approximately 17,456 employees. The following table provides a breakdown of our employees by responsibility.

Employee Function	Number of Employees
Production	2,915
Selling and Marketing.	11,602
Management and other administration	1,891
Research and development (including quality assurance)	438
Finance and accounting	526
Purchase and supply	84
Total	17,456

We enter into individual employment contracts with our 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 three and six months. We reward our employees for innovations and improvements by giving them incentive bonuses.

We invest in continuing education and training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We have also arranged internal and external vocational training courses for our 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 our management personnel.

Our employees 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.

Legal Proceedings and Compliance

We were not involved in any legal, administrative or arbitration proceedings which had a material adverse effect on our business, results of operations or financial position during the three years ended December 31, 2014. As of the date of this offering memorandum, we are not aware of any legal, arbitration or administrative proceedings against us or any of our directors or senior management members which may have a material adverse effect on our business, results of operations or financial position.

DESCRIPTION OF THE LC BANK

The information included below is for information purposes only and is based on, or derived or extracted from publicly available information. The Company has taken reasonable care in the compilation and reproduction of the information. None of the Company, the Joint Lead Managers, the Trustee, the Agents or any of their affiliates, employees or professional advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Company, the Joint Lead Managers, Trustee, Agents or any of their affiliates, employees or professional advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds have the benefit of the Standby Letter of Credit which will be issued by Agricultural Bank of China Limited New York Branch as the LC Bank. Under the PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorization given by ABC, and if the LC Bank is unable to satisfy its obligations under the Standby Letter of Credit, ABC would have an obligation to satisfy the balance of the LC Banks obligations under the Standby Letter of Credit.

OVERVIEW

Originally founded in 1951 as a state-owned bank, ABC is a limited liability company incorporated in the PRC on January 15, 2009 under the laws of the People's Republic of China. ABC's registration number is 100000000005472. ABC is headquartered in Beijing with operations in China and overseas regions. The shares of ABC are traded on the Hong Kong Stock Exchange (stock code: 1288) and the Shanghai Stock Exchange (stock code: 601288). ABC's registered office as well as its principal place of business in the PRC is located at No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC. ABC's principal place of business in Hong Kong is 25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong. ABC's telephone number is (8610) 95599. ABC has been assigned ratings of "A" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., "A1" by Moody's Investor Service, Inc. and "A" by Fitch Ratings Ltd.

Leveraging its extensive network, ABC provides a wide range of banking products and services to its corporate and retail customers in the PRC. ABC has one of the leading domestic distribution networks among the large commercial banks in the PRC in terms of the number of branch outlets. As of December 31, 2014, it had a total number of 23,612 domestic branches and nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company, ABC Jixi Rural Bank Limited Liability Company, ABC Xiamen Tong'an Rural Bank Limited Liability Company and ABC Zhejiang Yongkang Rural Bank Limited Company. In addition, as of December 31, 2014, ABC had eight overseas branches and two overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai, Tokyo, Frankfurt and Sydney branches and the Vancouver and Hanoi representative offices and five major overseas subsidiaries, including Agricultural Bank of China (Luxembourg) Limited, Agricultural Bank of China (Moscow) Limited, Agricultural Bank of China (UK) Limited, ABC International Holdings Limited and China Agricultural Finance Co., Ltd. ABC has received approvals for its applications for the establishment of Hanoi branch, Luxembourg branch and Vancouver branch (approval obtained in January 2014).

ABC is a leading commercial bank in the PRC in terms of total assets, total loans and total deposits. As of December 31, 2012, 2013 and 2014, ABC had total assets of RMB13,244.3 billion, RMB14,562.1 billion and RMB15,974.2 billion, respectively, total gross loans of RMB6,433.4 billion, RMB7,224.7 billion and RMB8,098.1 billion, respectively and total customer deposits of RMB10,862.9 billion, RMB 11,811.4 billion and RMB 12,533.4 billion, respectively.

ABC's operating segments comprise county area and urban area banking businesses. County areas are areas designated as counties or county-level cities under China's administrative division system. As an administrative division unit, a county or county-level city is generally directly below and under the direct supervision of its corresponding municipal-level or provincial-level government. County areas include economically more developed county centers, towns and the vast rural areas within their jurisdictions. Urban areas are the rest of China other than the county areas. ABC's county area banking business aims to provide a broad range of financial products and services to customers in the county areas through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards and other types of intermediary services. ABC's urban area banking business comprises all other businesses not covered by county area banking business, and overseas operations and subsidiaries.

Financial Statements for the Years Ended December 31, 2013 and 2014

The summary consolidated statements of comprehensive income and of cash flows of ABC for the years ended December 31, 2013 and 2014 and the summary consolidated statements of ABC's financial position as of December 31, 2013 and 2014 set forth below are derived from ABC's 2014 published financial statements which have been audited by ABC's independent auditor, PricewaterhouseCoopers. PricewaterhouseCoopers is registered as a certified public accountant under the Professional Accountants Ordinance in Hong Kong.

ABC's audited financial statements for the years ended December 31, 2013 and 2014 are expressly incorporated into this offering memorandum by reference.

Consolidated Statement of Comprehensive Income

	Year ended December 31, 2013	2014
	(RMB millions)	
Interest income	613,384	699,289
Interest expense	(237,182)	(269,398)
Net interest income	376,202	429,891
Fee and commission income	89,697	87,883
Fee and commission expense	(6,526)	(7,760)
Net fee and commission income	83,171	80,123
Net trading gain	2,360	1,908
Net gain/(loss) on financial instruments designated at fair value through profit or loss	(639)	1,505
Net gain/(loss) on investment securities	(350)	335
Other operating income	5,027	10,364
Operating income	465,771	524,126
Operating expenses	(198,607)	(223,898)
Impairment losses on assets	(52,990)	(67,971)
Profit before tax	214,174	232,257
Income tax expense	(47,963)	(52,747)
Profit for the year	166,211	179,510
Attributable to:		
Equity holders of the Bank	166,315	179,461
Non-controlling interests	(104)	49
	166,211	179,510
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)		
— Basic and diluted	0.51	0.55
Profit for the year	166,211	179,510
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	(29,102)	34,587
Income tax impact for fair value changes on available-for-sale financial assets	7,227	(8,622)
Foreign currency translation differences	(321)	152
Other comprehensive income/(expenses), net of tax	(22,196)	26,117
Total comprehensive income for the year	**144,015**	**205,627**
Total comprehensive income attributable to:		
Equity holders of the Bank	144,123	205,503
Non-controlling interests	(108)	124
	144,015	**205,627**

Consolidated Statement of Financial Position

	As of December 31,	
	2013	2014
	(RMB millions)	
Assets		
Cash and balances with central banks	2,603,802	2,743,065
Deposits with banks and other financial institutions	397,678	572,805
Precious metals	19,185	20,188
Placements with and loans to banks and other financial institutions	308,655	407,062
Financial assets held for trading	53,864	58,425
Financial assets designated at fair value through profit or loss	269,018	356,235
Derivative financial assets	8,186	7,195
Financial assets held under resale agreements	737,052	509,418
Loans and advances to customers	6,902,522	7,739,996
Available-for-sale financial assets	781,311	927,903
Held-to-maturity investments	1,523,815	1,710,950
Debt instruments classified as receivables	592,090	522,117
Investments in associates and joint ventures	1	—
Property and equipment	150,859	154,950
Goodwill	1,381	1,381
Deferred tax assets	74,075	78,640
Other assets	138,608	163,822
Total assets	**14,562,102**	**15,974,152**
Liabilities		
Borrowings from central bank	104	80,121
Deposits from banks and other financial institutions	729,354	831,141
Placements from banks and other financial institutions	174,363	224,923
Financial liabilities held for trading	20,805	25,211
Financial liabilities designated at fair value through profit or loss	285,454	347,282
Derivative financial liabilities	7,635	7,240
Financial assets sold under repurchase agreements	26,787	131,021
Due to customers	11,811,411	12,533,397
Debt securities issued	266,261	325,167
Deferred tax liabilities	8	43
Other liabilities	395,383	435,987
Total liabilities	**13,717,565**	**14,941,533**
Equity		
Ordinary shares	324,794	324,794
Preference shares	—	39,944
Capital reserve	98,773	98,773
Investment revaluation reserve	(22,772)	3,118
Surplus reserve	60,632	78,594
General reserve	139,204	156,707
Retained earnings	243,482	329,989
Foreign currency translation reserve	(1,005)	(853)
Equity attributable to equity holders of the Bank	843,108	1,031,066
Non-controlling interests	1,429	1,553
Total equity	**844,537**	**1,032,619**
Total equity and liabilities	**14,562,102**	**15,974,152**

Consolidated Statement of Cash Flows

	Year ended December 31, 2013	Year ended December 31, 2014
	(RMB millions)	
Cash flows from operating activities		
Profit before tax	214,174	232,257
Adjustments for:		
Amortization of intangible assets and other assets	2,342	2,713
Depreciation of property and equipment	15,119	16,615
Impairment losses on assets	52,990	67,971
Interest income arising from investment securities	(106,831)	(123,053)
Interest income arising from impaired loans and advances to customers	(693)	(1,002)
Interest expense on debt securities issued	8,493	10,179
Net (gain)/loss on investment securities	350	(335)
Net gain on disposal of investment in associates and joint ventures	(309)	—
Dividend income arising from investment securities	(5)	—
Net gain on disposal of property, equipment and other assets	(656)	(393)
Net foreign exchange loss	5,037	1,107
	190,011	206,059
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(187,328)	(335,229)
Net increase in placements with and loans to banks and other financial institutions	(44,823)	(48,818)
Net decrease/(increase) in financial assets held under resale agreements	(40,995)	122,146
Net increase in loans and advances to customers	(795,948)	(887,572)
Net increase in borrowings from central bank	38	80,017
Net increase in placements from banks and other financial institutions	24,642	50,560
Net increase in due to customers and deposits from banks and other financial institutions	893,478	823,773
Increase in other operating assets	(180,820)	(121,778)
Increase in other operating liabilities	228,648	214,283
Cash from operations	86,903	103,441
Income tax paid	(54,024)	(68,826)
NET CASH FROM OPERATING ACTIVITIES	32,879	34,615

	Year ended December 31,	
	2013	2014
Cash flows from investing activities		
Cash received from disposal/redemption of investment securities	634,630	629,129
Cash received from interest income arising from investment securities	99,120	112,781
Cash received from disposal of investment in associates and joint ventures	416	1
Cash received from disposal of property, equipment and other assets	765	2,819
Cash paid for purchase of investment securities	(891,097)	(859,158)
Cash paid for purchase of property, equipment and other assets	(28,170)	(25,997)
Net cash used in investing activities	(184,336)	(140,425)
Cash flows from financing activities		
Contribution from preference shareholders	—	40,000
Cash payments for transaction cost of preference shares issued	—	(38)
Cash received from debt securities issued	118,771	271,873
Cash payments for transaction cost of debt securities issued	(15)	(58)
Repayments of debt securities issued	(45,153)	(213,359)
Cash payments for interest on debt securities issued	(7,707)	(10,107)
Dividends recognized as distribution	(50,830)	(57,489)
Dividends paid to non-controlling interests	(2)	—
Net cash from financing activities	15,064	30,822
Net decrease in cash and cash equivalents	(136,393)	(74,988)
Cash and cash equivalents at January 1,	952,936	813,799
Effect of exchange rate changes on cash and cash equivalents	(2,744)	(570)
Cash and cash equivalents at December 31,	**813,799**	**738,241**
Net cash flows from operating activities include:		
Interest received	494,213	548,718
Interest paid	(199,880)	(229,793)

PRINCIPAL BUSINESS ACTIVITIES

ABC's business segments consist of corporate banking, retail banking, treasury operations and other operations. The following table sets forth, for the periods indicated, ABC's operating income by business segments.

	Year ended December 31,			
	2013		2014	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Corporate banking business	253,092	54.3	280,701	53.6
Retail banking business	180,223	38.7	189,876	36.2
Treasury operations	27,916	6.0	45,686	8.7
Other business	4,540	1.0	7,863	1.5
Total Operating Income	465,771	100.0	524,126	100.0

Corporate Banking

Corporate banking constitutes ABC's primary source of income. ABC offers a broad range of corporate banking products and services to corporations and other entities, including state-owned enterprises, private enterprises, foreign-invested enterprises and government agencies, which ABC collectively refers to as its corporate banking customers. ABC's corporate banking business consists primarily of corporate lending, discounted bills, corporate deposits as well as a broad range of fee-and commission-based products and services including clearing and settlement services, cash management, investment banking, custody services, corporate wealth management, guarantee services, third-party depository and futures margin depository and other agency services.

ABC's major corporate loan customers are concentrated in (i) manufacturing; (ii) transportation, logistics and postal services; (iii) production and supply of power, thermal power, gas and water; (iv) retail and wholesale; and (v) real estate industries. In addition to expanding its customer base, ABC has focused on optimizing its customer mix by developing relationships with large state-owned enterprises, industry leading companies and government agencies.

Corporate Loans

Corporate loans have historically constituted the largest component of ABC's loan portfolio. ABC's corporate loans include working capital loans, real estate development loans, project loans, trade finance products, small business loans and syndicated loans. ABC's corporate loans consist substantially all of its Renminbi-denominated loans.

Discounted Bills

Discounted bills refer to ABC's discounted purchase of bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months. Bill discounting is a form of short-term financing provided to corporate customers. ABC may resell these bills to the PBOC or other financial institutions authorized to conduct bill discounting, providing it with additional liquidity and spread income.

Corporate Deposits

ABC offers its corporate customers time and demand deposits in Renminbi and major foreign currencies. In addition, ABC offers a call deposit product that bears a higher interest rate than those of demand deposits but also retains some of the flexibility of demand deposits by allowing its customers to withdraw money with one or seven days' prior notice.

Fee-and Commission-based Products and Services

ABC provides its corporate customers with a broad range of fee-and commission-based products and services, including settlement services, cash management, investment banking, custody services, corporate treasury services, guarantee services, agency services and depositary services for securities transaction clearing fund and futures margin. As ABC has focused on developing and offering fee-and commission-based corporate banking products and services in recent years, this segment of its corporate banking business has grown significantly.

Settlement services

ABC offers broad and convenient settlement services through a wide range of channels such as bank counters, Internet banking, phone banking, ATMs and POS. By leveraging its strength in traditional settlement services, ABC continues to promote the usage of electronic settlement accounts, through which its customers can settle payments online. ABC's international settlement services include documentary letters of credit, documentary collection, remittances and agency collection. ABC has developed a centrally-managed global transaction system (GTS) for international settlement to further enhance its professional services. ABC has traditionally been a leading participant in cross-border trade settlement in Renminbi and was one of the first banks to introduce this service.

Cash management

ABC provides integrated cash management services to its corporate customers for their liquidity management, including account management, information services, collection and disbursements, trade settlement, investment and financing services. ABC's cash management services assist large companies to centrally manage their cash flow across many locations or subsidiaries.

Investment banking

ABC provides investment banking services to its corporate customers and engages in financial advisory services, restructuring and acquisition services, underwriting of debt instruments such as commercial paper and medium-term notes, fixed-income investment advisory services and asset securitization advisory services. Through its financial advisory service platform, ABC provides its customers with financial advice, business plan formulation and in-depth industry and financial markets analysis. ABC actively promotes product innovation in investment banking, such as the introduction in the PRC of the first foreign currency-denominated medium-term note, the first private company medium-term notes and the pilot test of collective notes for rural and agricultural small businesses.

Custody services

ABC has one of the most comprehensive custody services among all commercial banks in China. Assets under custody primarily include assets of investment funds, insurance assets, corporate annuities, investments managed by QFIIs and QDIIs, certain customer assets of fund management companies, collective investment scheme funds managed by securities firms and private equity funds. ABC's custody services include custody, fund clearing, asset valuation, investment monitoring and custody reporting services. In addition, ABC offers value-added services, such as providing market information, research reports and tax consultation. ABC seeks to continuously streamline the business process and enhances the effectiveness and soundness of its internal control systems in respect of custody services on an ongoing basis and has successfully passed SAS70 international authentication for internal control.

Pension business

ABC started its pension fund custody business in 2008, which has developed to cover corporate annuities, pension funds for farmers and social security funds. The pension funds under custody has significantly increased from 2012 to 2014.

Corporate wealth management

Several corporate wealth management products of ABC such as "An Xin Kuai Xian" open-ended series products, "Ben Li Feng Corporate Series Products," "An Xin De Li Corporate Series Products" and "Hui Li Feng Corporate Series Products" and "Kai Yang" equity series products gained positive feedback from customers for their stable yields and flexible maturities. The number of contracted customers for wealth management further increased during 2014.

Guarantee services

ABC provides surety services for its corporate banking customers primarily through performance guarantees, bid guarantees, prepayment guarantees and quality guarantees.

Third-party depositary and futures margin depositary

ABC offers third-party depository services to securities firms in respect of settled funds for securities trading and to futures companies and exchanges in respect of futures margins. It has established business relationships with three major domestic commodities and futures exchanges as well as the China Financial Futures Exchange.

Other products and services

In addition to the products and services described above, ABC cooperates with other banks and non-banking institutions and participates in factoring, mutual and common entrustment.

Retail Banking

ABC provides its retail banking customers with a broad range of products and services, including retail loans, bank cards, retail deposits and various fee-and commission-based products and services including bancassurance, personal wealth management, personal settlement and agency sales of PRC government bonds, fund products and physical gold.

Retail Loans

ABC offers various types of retail loans to customers. Its retail loan services consist primarily of residential mortgage loans, personal consumption loans, loans to private businesses and overdraft on personal bank cards. It also offers other types of retail loans such as loans to rural households and education loans.

Residential mortgage loans offered by ABC include floating-rate residential mortgage loans, fixed-rate residential mortgage loans and hybrid-rate residential mortgage loans. ABC's residential mortgage loans are generally secured by the underlying property being purchased.

Personal consumption loans provided by ABC consist of personal credit lines, consumer auto loans, comprehensive consumer loans and retail loans secured by pledges.

Loans to private businesses are generally granted to private business owners to meet their funding needs arising from their operations, primarily including loans to finance the operations of private businesses, commercial mortgage loans to private businesses and auto loans to private businesses.

Overdraft on personal bank cards is extended to retail customers. ABC's credit card and quasi-credit card customers are allowed to withdraw or overdraft through its credit consumption function.

Bank Cards

ABC offers integrated card products and services to personal customers under the brand name "Kins Card," which consists of Renminbi-denominated debit cards, credit cards and quasi-credit cards and dual-currency credit cards denominated in RMB and US dollars.

ABC is one of the founding members of China UnionPay, the Chinese bank card network organization. ABC's bank cards are accepted through its own network in China and the domestic and overseas network of China UnionPay. ABC's dual-currency credit cards are also accepted outside of China through MasterCard and VISA networks.

Retail Deposits

ABC offers retail demand deposits and time deposits in Renminbi and foreign currencies to its retail banking customers. Retail demand deposits include general demand deposits and flexible-term deposits. Retail time deposits consist of general time deposits, call deposits, education savings deposits, and deposits and withdrawals in lump sums, deposits in installments while withdrawing in lump sums and time deposits with periodic interest payments that can be withdrawn on demand. ABC currently offers regular time deposit products with terms ranging from three months to five years for Renminbi denominated deposits and one month to two years for foreign currency-denominated deposits.

Fee- and Commission-based Products and Services

ABC offers retail banking customers products and services, such as bancassurance, personal wealth management, personal settlement services and agency sales of PRC government bonds, fund products and physical gold.

Bancassurance

ABC distributes insurance policies as an agent for insurance companies. ABC has been actively expanding its relationships with insurance companies, which has enabled it to maintain a leading position among all commercial banks in China.

Personal wealth management services

ABC has a comprehensive portfolio of products for its personal wealth management services.

Personal settlement services

ABC offers settlement services to its retail banking customers, including RMB-and foreign currency- denominated money transfer and remittance services, collection services and settlement of cashier's checks, bank drafts and checks. ABC also provides settlement services to merchants in respect of payments made with debit cards, credit cards and quasi-credit cards.

Sales of PRC government bonds, fund products and physical gold

In the past year, ABC acted as an agent for the issuance of over 14 batches of PRC saving treasury bonds. As a trade agent of gold business, ABC is engaged in physical gold trading at designated outlets. ABC is one of the first banks in the PRC to provide physical gold trading services to retail banking customers.

Treasury Operations

ABC's treasury operations consist primarily of (i) money market activities, (ii) investment and trading activities, (iii) treasury transactions on behalf of customers, and (iv) gold trading and other businesses. In conducting its treasury operations, ABC seeks to ensure its liquidity and achieves a balance between returns and risks on its investment portfolio, taking into consideration various factors including the market and macroeconomic conditions.

Money Market Activities

ABC's money market activities primarily consist of (i) inter-bank money market activities, repurchase and reverse repurchase transactions and (ii) public market bidding, including bidding for repurchase and reverse repurchase transactions by the PBOC, PBOC bills and national treasury cash administration. The securities underlying ABC's inter-bank repurchase and reverse repurchase transactions are predominantly Renminbi- denominated PRC government and policy bank bonds, bank acceptance bills and PBOC bills, with a portion of foreign currency-denominated bonds primarily issued by foreign governments and agencies.

ABC was one of the first banks to be approved by the PBOC to provide SHIBOR quotes. As one of the SHIBOR-quoting banks, ABC provides daily quotes based on its own liquidity and capital supply and demand.

Investment and Trading Activities

ABC sets the target returns on available-for-sale financial assets, held-to-maturity investments and receivables, principally through its assessment of the interest rate, exchange rate, credit, liquidity, macroeconomic trends and other risks associated with the investment. In the domestic market, ABC primarily invests in debt securities issued by the PRC government, PBOC bills, debt securities issued by the policy banks and, to a lesser extent, debt securities issued by other financial institutions and non-financial institutions. In light of the global macroeconomic environment, a substantial portion of ABC's debt securities denominated in foreign currencies are short-term.

ABC purchases and sells various highly-liquid debt securities and bills for trading purposes, from which ABC seeks to obtain short-term profits. ABC primarily invests in debt securities issued by the PRC government, PBOC bills and debt securities issued by foreign governments. ABC classifies such trading securities as financial assets at fair value through profit or loss, and ABC employs strict stop-loss and other limits for such trading transactions.

In addition, ABC hedges its investment risks through the purchase of derivative financial instruments, such as interest rate swap contracts.

Treasury Transactions on Behalf of Customers

ABC is one of the first commercial banks in China approved to provide forward settlement services and other financial derivative products. ABC also engages in a broad range of treasury transactions on behalf of its corporate and retail banking customers. In addition, ABC primarily provides settlement, foreign currency trading, foreign currency derivatives trading and treasury services on behalf of its customers through its treasury operations. ABC actively developed its Renminbi settlement services over the past few years to capitalize on the appreciation of RMB.

Precious Metal Business

ABC has also steadily developed its precious metal agency business. To meet the demands of different customers for risk hedging and investments, ABC introduced precious metal forward business and precious metal leasing business to its customers, accelerated the research and development of agency retail spot deferred trading system and gold passbook product, and launched the system development for retail paper gold (silver) business. Targeting at retail, corporate and institutional customers, ABC sped up the establishment of its precious metal business system, focusing on the development of products, financing and services.

BOARD OF DIRECTORS

The board of directors of ABC as at the date of this offering memorandum consisted of:

Name	Title
LIU Shiyu	Chairman, Executive Director
ZHANG Yun	Vice Chairman, Executive Director, President
LOU Wenlong	Executive Director, Executive Vice President
ZHANG Dinglong	Non-Executive Director
CHEN Jianbo	Non-Executive Director
HU Xiaobui	Non-Executive Director
ZHAO Chao	Non-Executive Director
ZHOU Ke	Non-Executive Director
XU Jiandong	Non-Executive Director
Lu Jianping	Independent Non-Executive Director
Frederick MA Si-hang	Independent Non-Executive Director
WEN Tiejun	Independent Non-Executive Director
Francis YUEN Tin-fan	Independent Non-Executive Director
XIAO Xing	Independent Non-Executive Director

The business address of all of ABC's directors is: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, China.

There are no potential conflicts of interest between any duties of ABC's directors to ABC, and their private interests and/or other duties.

BOARD OF DIRECTORS COMMITTEES

ABC's board of directors delegates certain responsibilities to various committees. ABC has formed six committees, namely strategic planning, county area banking business development, audit and compliance, nomination and remuneration, risk management committees, and a related party transactions management committee under the risk management committee.

SHAREHOLDERS

The rights of controlling shareholders in ABC are contained in the articles of association of ABC and ABC will be managed in accordance with those articles and with the provisions of the Company Law of the People's Republic of China, as amended.

GENERAL INFORMATION

ABC's head office is located at No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC. The ABC's website address is http://www.abchina.com. Information contained on ABC's website is subject to change from time to time and does not form part of this offering memorandum. No representation is made by the Company, the Joint Lead Managers, Trustee, Agents, or any of their affiliates, employees or professional advisers, and none of the Issuer, the Joint Lead Managers, the Trustee, the Agents, or any of their affiliates, employees or professional advisers, take any responsibility, for any information contained on the ABC's website.

Copies of the latest interim and annual reports of ABC, as well as its public filings, can be downloaded free of charge from the website of the Hong Kong Stock Exchange.

DIRECTORS AND MANAGEMENT

Our board of directors consists of eight directors, four of whom are independent non-executive directors. The following table sets forth the name of each of our directors and his or her position as of the date of this offering memorandum.

The business address of all of the Company's directors is: Huiyuan Road, Beixiaoying Town, Shunyi District, Beijing, 101305, China. There are no potential conflicts of interest between any duties of our directors to us, and their private interests and/or duties.

Name	Position
Mr. ZHU, Xinli	Chairman and executive director
Ms. ZHU Shengqin	Executive director
Mr. CUI, Xianguo	Executive director
Mr. YAN, Andrew Y.	Non-executive director
Mr. LEUNG, Man Kit	Independent non-executive director
Ms. ZHAO, Yali	Independent non-executive director
Mr. ZHAO, Chen	Independent non-executive director
Mr. SONG, Quanhou	Independent non-executive director

DIRECTORS

Executive Directors

Mr. ZHU, Xinli (朱新禮)

Mr. Zhu, aged 63, is the chairman of the board and an executive director. He is our founder. With over 21 years of experience in the juice and beverage industry, he is primarily responsible for our overall business strategies, investment project decision and setting the development direction. He is the father of Ms. Zhu Shenqin, a vice president of the Group. He has more than 30 years of experience in enterprise operation and management. Before founding us 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 the 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 Top Ten Outstanding Leaders in the Light Industry during 30 Years of Reform in 2008. He was the executive chairman of China Entrepreneur Club in 2013. He has pursued CEO courses in the China Europe International Business School, the Cheung Kong Graduate School of Business and Stanford College. Since 2001, he has been engaged as a visiting professor by China Agricultural University, Nankai University and the Chinese Academy of Agricultural Sciences. He was appointed as the chairman and a director of the board in September 2006. Mr. Zhu is the director and controlling shareholder of China Hui Yuan Holdings (Cayman), the controlling shareholder of us.

Ms. ZHU Shengqin (朱聖琴)

Ms. Zhu, aged 39, is an executive director of the board. She is in charge of the office of the Board, investment and finance division, strategy development division and internal control and compliance matters. Ms. Zhu is a daughter of Mr. Zhu Xinli, our chairman and an executive Director as well as controlling shareholder. Since joining us in 1996, she has held various positions, including marketing manager, vice general manager of the investment division, director of the office of the Board, leader of operation teams, and a vice president. Ms. Zhu has led us in various significant capital market transactions, such as issue of new shares, acquisition of upstream businesses, introduction of strategic investors and our listing. Ms. Zhu also has extensive experience in corporate operation, brand marketing and production management. Ms. Zhu received an executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) and is currently studying finance executive master of business administration programs in PBC School of Finance, Tsinghua University (清華大學五道口金融學院). She was appointed as our director in August 2014.

Mr. CUI, Xianguo (崔現國)

Mr. Cui, aged 47, is an executive director of the board and a vice president of the Group and is responsible for financial management and sales operation. He has 28 years of operational and management experience. Since he joined the Group in May 2002, he has held various managerial positions, including general manager of the Group's production plants, general manager for sales, assistant to the President and vice president. In addition, Mr. Cui is currently a director of Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd. (北京滙源集團咸陽飲料食品有限公司), Beijing Huiyuan Group Kaifeng Co., Ltd. (北京滙源集團開封有限公司), Jiangsu Huiyuan Food & Beverage Co., Ltd. (江蘇滙源食品飲料有限公司) and XuRiSheng (Hengshui) Beverage Co., Ltd. (旭日升（衡水）飲料有限公司), all of which are an indirect wholly-owned subsidiary of us. Mr. Cui graduated from Shandong University in 1986. He was appointed as a director of the board in March 2014.

Non-executive Directors

Mr. YAN, Andrew Y. (閻焱)

Mr. Yan, aged 59, is a non-executive director of the board. Mr. 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, D.C. 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 CPMC Holdings Ltd., Cogobuy Group, 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, and eSun Holdings Limited; independent director of BlueFocus Communication Group Inc.; and director of ATA Inc. (all 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 board in July 2010.

Independent Non-executive Directors

Mr. LEUNG, Man Kit (梁民傑)

Mr. Leung, aged 62, is an independent non-executive director. 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 (Hong Kong) 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 advisor 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 (8020), a company listed on the GEM board of the Hong Kong Stock Exchange on September 21, 2011. He was appointed as an independent non-executive director in June 2012. On March 28, 2014, Mr. Leung was appointed as 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.

Ms. ZHAO, Yali (趙亞利)

Ms. Zhao, aged 58, is an independent non-executive director of the board. She holds a bachelor degree from Tianjin Light Industry College and is a professor-ranked 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 board in September 2006.

Mr. ZHAO, Chen (趙琛)

Mr. Zhao, aged 49, graduated from the Department of History in Peking University and received a master of public administration from the School of Government of Peking University. He is now the vice president of the China Association of Policy and Science of the State Council, deputy director of the Contemporary Corporate Culture Research Institute of Peking University, vice chairman of the 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 the Human Resources Talent Award 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 30 Years of PRC Reformation” and was recorded in the Who’s Who (人物錄) in 2008. As an expert and scholar of contemporary culture, Mr. Zhao has contributed much innovation to our practices in management. He was appointed as an independent non-executive director of the board in June 2012.

Mr. SONG, Quanhou (宋全厚)

Mr. Song, aged 54, is an independent non-executive director of the board. He holds a master’s 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 the 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 board in January 2007.

Senior Management

Our senior management members are Mr. Zhu Xinli, Ms. Zhu Shengqin, Mr. Cui Xianguo, Ms. Yu Hongli, Mr. Zhang Jianqiu, Mr. Liu Jianming, Ms. Shi Xiuping, Ms. Ju Xinyan, Ms. Ren Hongfeng, Mr. Wang Xinnong, Ms. Cheng Ying, Mr. Li Fengshuo and Ms. Chen Xiangping, amongst whom Mr. Zhu Xinli, Ms. Zhu Shengqin and Mr. Cui Xianguo are also our executive directors. See above "Executive Directors" for the description of their experience.

Ms. Yu Hongli (于洪莉)

Ms. Yu, aged 46, is the Chief Executive Officer of us and has more than 20 years of experience in management and juice and beverage production, sales and marketing management. Since joining Huiyuan in 2000, Ms. Yu has held various positions in the Group during the past 15 years, including Director of the General Office, Vice President of the Human Resource Department, Vice President of the Production Center, General Manager of the Beverage Business Division and Executive Vice President of us.

Mr. Zhang Jianqiu (張建秋)

Mr. Zhang, aged 45, is Vice President for Brand Planning of the Group and is responsible for marketing strategy management. Mr. Zhang joined Huiyuan in 1993 and held various positions of the Group, including Sales Officer, Sales Manager, Vice General Manager and General Manager of a sales company, General Manager of Sales Region and Vice President. He has solid experience in sales and marketing business. Mr. Zhang Jianqiu graduated from Renmin University of China.

Mr. Liu Jianming (劉建明)

Mr. Liu, aged 49, is the Executive President for Fruit Sector of the Group and is responsible for management of the fruit sector operation. Mr. Liu Jianming joined Huiyuan in April 2001 and held a number of management positions, including our General Manager and Vice President. Mr. Liu Jianming graduated from Linyi College of Education with a bachelor's degree.

Ms. Shi Xiuping (史秀平)

Ms. Shi, aged 39, Vice President for Human Resources. Ms. Shi has over ten years' experience in human resources and management. She joined us in July 2003, and held many positions in the Group, including Director of the chairman's office, Deputy General Manager of Beverage Sector, Director of Human Resources, General Manager of Directly Operated Company System, and Vice President for Staff Administration. Ms. Shi Xiuping graduated from Beijing Administrative College with a master's degree. She is a certified senior human resources manager.

Ms. Ju Xinyan (鞠新艷)

Ms. Ju, aged 35, Vice President for Production of the Group and is responsible for production management of fruit juice. She joined the Group in November 2001 and held various positions in the Group, including Deputy Head of the President Office, General Manager of Production Plants, General

Manager of Sales Region and Vice President. Ms. Ju Xinyan graduated from Shandong Normal University with a bachelor's degree.

Ms. Ren Hongfeng (任洪鳳)

Ms. Ren, aged 42, Vice President for Children Beverage Sector of the Group. She joined Huiyuan in October 1992 and held a number of management positions, including Director of international business, General Manager and Vice President of us. Ms. Ren graduated from Beijing Normal University with a bachelor's degree.

Mr. Wang Xinnong (王新農)

Mr. Wang, aged 48, Vice President and General Manager of Suntory Business Department. Mr. Wang graduated from CEIBS with a master's degree in business administration. Mr. Wang joined us on May 31, 2014. Prior to this, he was a Vice President at PepsiCo Investment (China) Ltd. and was in charge of business in north region. Mr. Wang has 21 years of experience in managing food and beverage companies. He held positions of general manager or above at PepsiCo (China), the Food and Agriculture Department of Sinar Mas Group (China), AB InBev (China) , Danone Beverage (China) and BIG China.

Ms. Cheng Ying

Ms. Cheng, aged 39, a Vice President of the Group, in charge of the Group's investment. Ms. Cheng joined the Company in March 2014 and is responsible for investment and merger business. Ms. Cheng has more than ten years' experience in investment banking and enterprise financing, and specializes in enterprise financing, M&A and IPO. Before joining the Group, she was an executive director of UBS and the Vice President of Investment Banking of Macquarie Group. Ms. Cheng graduated from National University of Singapore with a master's degree in economics.

Mr. Li Fengshuo (李豐碩)

Mr. Li, aged 46, the General Manager of the Group's Hong Kong/Macau/international business. Prior to joining the Company on April 1, 2014, Mr. Li worked in Sharp-Roxy, Philip Morris Greater China, Lee Kum Kee Southeast Asia and North Asia, Hong Kong Tourism Development Council etc, with positions of manager, sales director and managing director. Mr. Li graduated from the Chinese University of Hong Kong with a master's degree in international trade.

Ms. Chen Xiangping (陳湘萍)

Ms. Chen, aged 29, assistant to the Chairman of the group. She joined Huiyuan in February 2014 as Investment and Finance Director of the Group, supervising overseas financing, investments, issuing of securities, and investor communications. She also participated in a number of due diligence and auditing projects. Prior to joining the Group, she worked at Societe Generale, Banco Bilbao Vizcaya Argentaria and China Development Bank (Hong Kong), responsible for corporate finance related business. Ms. Chen graduated from the University of Hong Kong and received her master's degree in economics with honor class.

Board Committees

Financial Management and Audit Committee

Our Company established a financial management and audit committee on September 21, 2006. 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 auditors, and provide advice and recommendations relating to financial and accounting matters to the board.

The financial management and audit committee consists of three independent non-executive directors, namely Mr. Leung Man Kit, Mr. Song Quanhou and Mr. Zhao Chen. Mr. Leung Man Kit serves as the chairman of the financial management and audit committee.

Remuneration and Nomination Committee

Our Company established a remuneration and nomination committee on September 21, 2006. 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 the 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 officer).

The remuneration and nomination committee consists of two independent non-executive Directors, namely Mr. Song Quanhou (who serves as the chairman) and Mr. Leung Man Kit, as well as one non-executive director, Mr. Andrew Y. Yan.

Strategy and Development Committee

Our Company established a strategy and development committee on September 21, 2006. The strategy and development committee is responsible for reviewing and formulating the strategic positioning and future development plans of the Company. Moreover, it is also responsible for making recommendations to the board regarding any proposed changes, and reviewing significant transactions including material projects, business expansion, capital expenditures, asset restructuring and operations.

The strategy and development committee consists of an executive director, an independent non-executive 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.

Compensation of Directors and Senior Management

The Company’s remuneration policies are formulated based on qualifications, year of experience and the performance of individual employees are reviewed regularly.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us in 2012, 2013 and 2014 to those persons who have been or are our directors, was approximately RMB3.6 million, RMB3.6 million, and RMB5.0 million, respectively.

SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2014 by those persons who beneficially own more than 5% of our outstanding shares and underlying shares of our convertible preference shares, as recorded in the register maintained by us pursuant to section 336 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"):

Name of Shareholder	**Number of Shares**	**Approximate percentage of interest in our Company**
Mr. Zhu Xinli	1,601,808,608[(a)]	63.36%
Huiyuan International Holdings Limited	1,601,808,608[(a)]	63.36%
China Hui Yuan Juice Holdings Co., Ltd.	1,601,808,608[(a)]	63.36%
Entie Commercial Bank	337,497,501	13.33%
Sino Fountain Limited[(b)]	232,497,501	9.18%
SAIF III GP Capital Ltd.[(b)]	232,497,501	9.18%
Mr. Yan Andrew Y.[(b)]	232,497,501	9.18%
Temasek Holdings (Private) Limited	439,562,264	17.36%
Stichting Pensioenfonds ABP	98,774,501	3.90%
China Orient Assets Management Corporation	1,001,864,000	39.56%

Notes:

(a) Huiyuan International Holdings Limited is wholly owned by Mr. Zhu Xinli and China Hui Yuan Juice Holdings Co., Ltd. is a wholly owned subsidiary of Huiyuan International Holdings Limited. Each of Mr. Zhu Xinli and Huiyuan International Holdings Limited is therefore deemed to be interested in the shares held by China Hui Yuan Juice Holdings Co., Ltd. Mr. Zhu Xinli also serves as a director of China Hui Yuan Juice Holdings Co., Ltd. and Huiyuan International Holdings Limited, 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.

On March 18, 2015, China Oceanwide Holdings Limited acquired approximately 7.90% of the Company's total issued shares as of that date.

Except as disclosed above, there has been no material change in other interest or short position in our shares and underlying shares since December 31, 2014.

The rights of controlling shareholders in the Company are contained in the articles of association of the Company and the Company will be managed in accordance with the provisions of Cayman Islands Companies Law, as amended and of the Company's articles of association.

REGULATIONS ON INDUSTRIAL PRODUCTION LICENSING

The Regulations on the Administration of Production Licensing of Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例), which was promulgated by the State Council on July 9, 2005 and came into effect on September 1, 2005, establish a licensing regime for enterprises and individuals engaged in the manufacture of certain industrial products including drinks or plastic packing containers or other products used for food. Before obtaining a production license, no enterprise or individual is permitted to produce, sell or, in the course of business, use any product listed in the catalogue of industrial products to which industrial production licensing is applicable.

The Implementing Measures for the Regulations on the Administration of Production Licensing of Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法), which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of PRC (the "AQSIQ") on April 21, 2014 and came into effect on August 1, 2014, provide specific implementation measures for the production licensing regime.

ADMITTANCE STANDARDS FOR CONCENTRATED FRUIT/VEGETABLE JUICE AND PULP MANUFACTURERS

The Admittance Standards for Concentrated Fruit/Vegetable Juice (Pulp) (濃縮果蔬汁(漿)加工行業准入條件) (the "Admittance Standards") was promulgated by the Ministry of Industry and Information Technology (the "MIIT") on August 18, 2011 and came into effect on October 1, 2011. The Admittance Standards apply to all enterprises involved in the production of concentrated fruit/vegetable juice and pulp in the PRC. The Admittance Standards set out certain conditions to be satisfied by any enterprise engaged in the processing of concentrated fruit/vegetable juice and pulp, including the distance between factories, the overall raw material supply in the vicinity of certain factories and the scale, technical process, equipment, consumption and comprehensive utilization of energy and resources, environmental protection and safety of the factories.

LAWS AND REGULATIONS ON FOOD SAFETY

The Food Safety Law, which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on February 28, 2009 and came into effect on June 1, 2009, amended on April 24, 2015 and will come into effect on October 1, 2015 and the Implementation Rules of the Food Safety Law, which was promulgated by the State Council and came into effect on July 20, 2009 aim to ensure food-safety and the physical well-being of consumers by providing a legal framework for the supervision of food production safety. The Food Safety Law sets out (i) general principles applicable to the supervision and assessment of food-safety; (ii) rules for the supervision regarding the operation, inspection and quarantine of food production facilities as well as the import and export of food; (iii) guidelines for the investigation and handling of food-safety incidents; and (iv) legal liabilities of relevant parties in respect of food-safety.

Enterprises engaging in food production activities must conform to the Measures for the Administration of Food Production Licensing (食品生產許可管理辦法) and General Principles for the Review of Food Production Licensing (2010 Edition) (食品生產許可審查通則(2010版)), which were promulgated by the AQSIQ on August 23, 2010. In accordance with these regulations, enterprises must not engage in food production activities without a food production license. The validity term for a food production license is three years, enterprises shall renew such license six months prior to the expiration of the licenses. Applicants for food production licenses must follow certain application procedures and are subject to the supervision of the local quality and technical supervision authorities regarding production activities and the inspection of the products.

LAWS AND REGULATIONS ON THE QUALITY AND SAFETY OF PRODUCTS

The Safe Production Law of the PRC (中華人民共和國安全生產法), which was promulgated by the SCNPC on June 29, 2002, amended on August 31, 2014 and came into effect on December 1, 2014, and other relevant laws and regulations stipulate that, enterprises engaged in production activities are required to: (i) comply with relevant laws and regulations on production safety, (ii) strengthen managerial control over production safety, (iii) improve safety precautions at production sites, and (iv) establish or improve accountability systems with regard to safety accidents to ensure workplace safety at the production sites. Enterprises which do not satisfy the relevant safety requirements must not engage in production activities. Further, entities that disregard the relevant safe production laws and regulations may be subject to administrative sanctions such as penalties, orders for rectification within a set limited period or suspension of business operations. Such illegal production activities may also violate criminal statutes and be subject to criminal liabilities.

The Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated by the SCNPC on February 22, 1993 and revised on July 8, 2000, requires that any person who conducts production and sales activities of any product within the territory of the PRC is liable for the product's quality. Where products do not comply with the relevant national or trade standards safeguarding the health and safety of human life and property, the producer may be ordered to stop the production and sale of such products, products produced and sold illegally may be confiscated, earnings from illegally made products may be confiscated, and a fine of an amount equal to three times the amount of the unlawful earnings may be imposed. When the circumstances are serious, the business license of the offender may be revoked and where the case constitutes a crime, the offender shall be investigated for criminal responsibility.

The Law on the Quality and Safety of Agricultural Products of the PRC (中華人民共和國農產品質量安全法), which was promulgated by the SCNPC on April 29, 2006 and came into effect on November 1, 2006, establishes a system for the administration of the quality and safety of agricultural products in order to protect public health and promote the development of agricultural sectors and the rural economy.

Agricultural production enterprises and specialized commercial farming cooperative organizations must test the quality and safety of their products, either by themselves or by engaging the services of a qualified agency, and establish a system to record all products manufactured by them. Any products which fail to pass the quality and safety test must not be marketed or sold to consumers. Agricultural products must only be marketed and sold once they have been correctly packaged and labeled with the name of the product, place of production, date of production, expiry date, quality grade and other requisite information.

LAWS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and came into effect on January 1, 2015, provides a regulatory framework to protect and develop the environment, prevent and cure pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system. Any entity that discharges pollution must register with the relevant environmental protection authority. Remedial measures for breaches of the Environmental Protection Law include a warning, payment of damages or imposition of a fine. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property, personal injuries or death.

The Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on October 28, 2002 and with effect from September 1, 2003, stipulates that enterprises are required to submit environmental impact assessment reports to the competent environmental protection administrative authorities and the construction work may only be commenced after such an assessment is approved by the environmental protection administrative authority. The construction of pollution prevention and control facilities in a construction project must be designed, constructed and commenced simultaneously with the main facility.

The Law on Prevention and Control of Air Pollution of the PRC (中華人民共和國大氣污染防治法), which was amended on April 29, 2000 and took effect from September 1, 2000, requires newly constructed, expanded or reconstructed projects which discharge pollutants into the atmosphere to comply with certain regulations relating to environmental protection. The environmental impact assessment reports of a construction project, which is subject to the approval of the environmental protection administrative authorities, must include the environmental assessment on the air pollution the project is likely to produce and its potential impact on ecological environment. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of atmospheric pollution have been inspected and accepted by the environmental protection administrative authorities.

The Law on Prevention and Control of Environmental Pollution by Noise of the PRC (中華人民共和國環境噪聲污染防治法) which was promulgated by the SCNPC on October 29, 1996 and came into effect on March 1, 1997, stipulates that enterprises that may discharge noise during the construction project must prepare an environmental impact assessment report and submit it to the competent environmental protection administrative authorities for approval. The environmental impact assessment report shall include the comments and suggestions of the entities and residents in the place where the construction project is located. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of noise pollution have been inspected and accepted by the environmental protection administrative authorities.

The Law on the Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), which was amended on February 28, 2008 and with effect from June 1, 2008, stipulates that an environmental impact assessment must be conducted in respect of all projects involving the construction, renovation or expansion of water facilities which discharge pollutants directly or indirectly into water. Facilities for the prevention and control of water pollution must be designed, constructed and put into use or operation simultaneously with the main facility of a construction project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of water pollution have been inspected and accepted by the environmental protection administrative authorities. Furthermore, enterprises which discharge industrial sewage directly or indirectly into water systems must obtain pollutant discharge permits.

The Law on Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法), which was promulgated by the SCNPC on October 30, 1995, revised on December 29, 2004, June 29, 2013 and April 24, 2015, respectively, stipulates that construction projects where solid waste will be generated or projects for storage, utilization or treatment of solid waste shall be subject to environmental impact assessment according to law. Facilities for the prevention and control of solid waste must be designed, constructed and put into use or operation simultaneously with the main facility of a construction project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of solid waste have been inspected and accepted by the environmental protection administrative authorities.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The Wholly Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated by the SCNPC on October 31, 2000 and came into effect on the same day, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which was promulgated by the State Council on April 12, 2001 and amended on February 19, 2014, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("WFOE") in China. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before a foreign investment approval certificate is issued.

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), which was jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration of Industry and Commerce on July 25, 2000 and amended on May 26, 2006, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalog for Guiding Foreign Investment will govern foreign-invested enterprises' investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law (中華人民共和國公司法) and the Regulations on the Administration of Company Registration of the PRC (中華人民共和國公司登記管理條例), decide whether to approve the registration or not. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise" added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

The Interim Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the current Industry Catalog for Guiding Foreign Investment (外商投資產業指導目錄) (the "Foreign Investment Catalog (2011)") was jointly promulgated by the NDRC and MOFCOM on March 10, 2015 and came into effect on April 10, 2015, classify all foreign investment projects into four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed.

LAWS AND REGULATIONS ON LABOR PROTECTION

The Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

The Labor Contract Law (中華人民共和國勞動合同法), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (勞動合同法實施條例) which was promulgated on September 18, 2008 and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labor contract. Labor contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

The Law on Social Insurance (中華人民共和國社會保險法), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, regulate basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated and came into effective on April 3, 1999, and was amended on March 24, 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Exchange

Pursuant to the Regulations on the Administration of Foreign Exchange (外匯管理條例) issued by the State Council, effective from 1996 and amended in January 1997 and August 2008, Renminbi is freely convertible for current account items, such as sale or purchase of goods, which are generally not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including FIEs, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents. However, for capital account items, such as direct investments, loans, repatriation of investments and investment in securities outside of the PRC, the prior approval of SAFE, or its local counterparts, is required. Pursuant to the Interim Provisions on the Administration of Foreign Debts (外債管理暫行辦法) jointly promulgated by NDRC, the Ministry of Finance and SAFE on January 8, 2003 and other relevant rules and regulations issued by SAFE, loans by foreign entities or individuals to any FIE to finance its activities cannot exceed the statutory limits of the difference between the registered capital and the investment amount of the FIE as approved by MOFCOM. Such loans must be registered with SAFE or its local counterparts.

On March 3, 2015, SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知, the "Circular 19"). Pursuant to Circular 19, the foreign exchange capital of FIEs shall be subject to the discretional foreign exchange settlement, and the proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100%. Circular 19 also requires that the use of capital by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of foreign-invested enterprises, including capital in

Renminbi obtained by them from foreign exchange settlement, shall not be used for any of the following purposes: (1) directly or indirectly for the payment beyond the business scope of the enterprises or for the payment prohibited by national laws and regulations; (ii) directly or indirectly for investment in securities unless otherwise provided by laws and regulations; (iii) directly or indirectly for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; (iv) for paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

Dividend Distribution

The principal regulations governing the distribution of dividends by wholly foreign-owned enterprises include:

- the Company Law;
- Wholly Foreign-Owned Enterprise Law;
- Implementation Rules of the Wholly Foreign-Owned Enterprise Law; and
- the New EIT Law and its implementation rules.

Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10% of its annual after-tax profit, as calculated using PRC accounting standards, to its general reserves until its cumulative total reserve funds reach 50% of its registered capital. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to its employee welfare and bonus funds. These reserve funds, however, may not be distributed as cash dividends. Under the New EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise in the PRC to its foreign investor who is a non-PRC resident enterprise will be subject to a 10% PRC withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a lower PRC income tax rate.

LAWS AND REGULATIONS ON COMPETITION

Anti-Monopoly Law

Pursuant to the Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法), or the Anti-Monopoly Law, which was promulgated on August 30, 2007 and became effective from August 1, 2008, “dominant market position” shall refer to a position where an operator may manipulate the price, volume and other trade conditions of a commodity on the relevant markets, or may obstruct or otherwise effect the entrance of other operators into the relevant markets. Operators who hold a dominant market position will be prohibited from engaging in such practices which may be classified as an abuse of its market position: (i) selling products at unfairly high or unfairly low prices; (ii) selling products at a price lower than cost without legitimate grounds; (iii) refusing to trade with the other trading party without legitimate grounds; (iv) forcing the other trading party to trade only with said operator or other operators specified by said operator without legitimate grounds; (v) conducting tie-in sales or adding other unreasonable conditions on a deal without legitimate grounds; (vi) discriminating among trading parties of the same qualifications with regards to trade price without legitimate grounds; or (vii) other practices recognized by the anti-monopoly law enforcement authorities as abuse of dominant market position. Furthermore, where an operator violates the provisions of the Anti-Monopoly Law by abusing its dominant market position, the anti-monopoly law enforcement authorities will order a halt to the offending behavior, confiscate the illegal earnings, and impose a fine of 1 to 10% of the previous year's sales revenue.

Pursuant to Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), which was promulgated on September 2, 1993 and became effective from December 1, 1993, a business shall not adopt any improper means to carry out market transactions or cause damage to competitors or sell its goods at a price below the cost for the purpose of excluding competitors. Furthermore, the control and inspection authorities at the provincial level or above may carry out inspection of acts of unfair competition and enforce its provisions.

Price Law

Pursuant to the Price Law (中華人民共和國價格法), which was promulgated on December 29, 1997 and became effective from May 1, 1998, the operators must, in determining prices, abide by the principle of fairness, be in conformity with law and conduct their businesses with honesty and credibility. Production and management costs and the market supply and demand situation shall be the fundamental basis for the determination of prices by the operators.

The operators must, in selling and procuring commodities and providing services, display the clearly marked price in accordance with the provisions of the competent government departments of price. The operators are prohibited from charging additional amounts on top of the marked price and shall not collect any fee not indicated. Furthermore, the operators shall not commit acts such as collusion in manipulating market price to the detriment of the lawful rights and interests of other operators or consumers. Any operator who commits any of the unfair pricing acts prescribed in the Price Law risks having its illegal gains confiscated and may have to pay a fine of up to five times the amount of the illegal gain, in addition to being required to make rectification. Where the circumstances are serious, the relevant regulatory authorities may suspend the business operations or revoke the business license of the offending operation. In addition, any operator who causes consumers or other operators to pay higher prices due to its illegal acts should refund the portion overpaid. Where damage has been caused, liability for compensation shall be borne according to law. And any operator who violates the provision requiring clearly marked prices shall be ordered to make a rectification and its illegal gains will be confiscated along with a fine of up to RMB5,000. The Price Law of the PRC also gives the competent government departments the authority to implement intervention measures on the pricing of important commodities and services, on circumstances that the prices of such important commodities and services are, or may be, substantially increased. Upon elimination of the circumstances for the implementation of the intervention measures in pursuance of the Price Law, the intervention measures shall be lifted in time.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and the Implementation Regulations on the PRC EIT Law (企業所得稅法實施條例), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises.

Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the PRC EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10%.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "Tax Treaty"), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the PRC EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家税務總局關於如何理解和認定税收協議中"受益所有人"的通知) issued by the State Administration Of Taxation (the "SAT") on October 27, 2009, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (國家税務總局關於執行税收協議股息條款有關問題的通知), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

Pursuant to the Trial Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (非居民享受税收協定待遇管理辦法(試行)的通知), which was promulgated by the SAT on August 24, 2009 and came into effect on October 1, 2009, and the Supplemental Notice on Several Issues of the Trail Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (關於非居民享受税收協定待遇管理辦法(試行)有關問題的補充通知), which was promulgated by on June 21, 2010, a non-resident enterprise subject to taxation is required to obtain approval from the relevant tax administration department before it may enjoy a tax reduction or exemption under the dividend provision of a tax treaty.

Business Tax

The Temporary Regulations on Business Tax of the PRC (中華人民共和國營業税暫行條例), which was promulgated by the State Council on December 13, 1993, became effective on January 1, 1994, and amended on November 10, 2008 and came into effect on January 1, 2009, provide that entities and individuals must pay business tax if they are engaged in the provision of services with respect to the industries of transportation, construction, finance and insurance, post and telecommunication, culture and sports, entertainments and service prescribed in Temporary Regulations on Business Tax, or transfer of intangible assets or sale of real estate within China's territory.

Value-added Tax

The Temporary Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (增值稅暫行條例實施細則), which was promulgated by the MOF and SAT and became effective on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案), which was promulgated by the MOF and the SAT, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Bonds will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Bonds. An instrument of transfer in respect of a Bond is stampable if executed in or brought into the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(2) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision) of the Cayman Islands.

The undertaking for the Company is for a period of twenty years from October 24, 2006.

BRITISH VIRGIN ISLANDS

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to BVI tax or withholding tax.

Capital gains realized with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Bonds. In relation to the European Savings Directive of 2003 in respect of taxation of savings income in the form of interest payments, the Mutual Legal Assistance (Tax Matters) Act, 2003 (as amended) requires paying agents in the British Virgin Islands to report to the BVI International Tax Authority certain information, including information about interest payments made to certain beneficial owners resident in an EU Member State, which information the BVI International Tax Authority will exchange with the relevant tax authorities in the EU Member State where the beneficial owner is resident for tax purposes.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or distributions in respect of the Bonds.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried out in Hong Kong.

Interest payments on the Bonds will be subject to Hong Kong profits tax where such payment have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Bonds where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. Under the EIT Law and implementation regulations, PRC resident enterprises are required to withhold income tax at the rate of 10% (or lower treaty rate, if any) from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Similarly, any gain realized on the transfer of the Bonds by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. Under the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. We currently take the view that we are not a PRC resident enterprise for EIT Law purposes. However, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Bonds , and the gain any investor may realize from the transfer of the Bonds, may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of interest may be withheld by us at source). In the case of individual holders, the tax described above may be imposed at a rate of 20%.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside the PRC) of a Bond.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or certain limited types of entity established in that other Member State. However, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent and associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent and associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On March 24, 2014, the Council of the European Union adopted a directive amending the EU Savings Directive to extend its scope to cover additional types of savings income and products that generate interest or equivalent income (including certain types of life insurance contracts) as well as a broader range of investment funds. In addition, a "look through" procedure will be established to limit the opportunities for circumventing the application of the EU Savings Directive by the use of certain intermediaries. Member States have until January 1, 2016 to adopt domestic legislation to give effect to these changes, which must be applied from January 1, 2017.

PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the participating Member States indicated an intention to implement the FTT progressively such that the initial stage would be implemented by January 1, 2016 in relation to shares and certain derivatives only.

Following a meeting of the Council of the European Union (the Council) on December 9, 2014, the Presidency of the Council provided an update as to the status of the proposed FTT and noted that further work is required with respect to certain areas.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Company entered into a subscription agreement with the Joint Lead Managers dated June 29, 2015 (the "**Subscription Agreement**") pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Company has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed, severally and not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

	Principal amount of the Bonds to be subscribed
Joint Lead Managers	
ABCI Capital Limited	€120,000,000
Citigroup Global Markets Limited	€ 80,000,000
Bank of China Limited	€ 0
Total	**€200,000,000**

The Subscription Agreement provides that the Company will indemnify the Joint Lead Managers, their respective affiliates or any persons who control any of them within the meaning of Section 15 of the Securities Act and any of their respective directors, officers, employees, agents or affiliates (each an "**Indemnified Person**") against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Company.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions and/or other transactions with the Company for which they received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Company may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. See "Risk Factors—Risks Relating to the Bonds and the Standby Letter of Credit—A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds." The Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Company routinely hedge their credit exposure to the Company consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Company and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, Citigroup Global Markets Limited (the "**Stabilizing Manager**") or any person acting on behalf of the Stabilizing Manager may, to the extent permitted by applicable laws and directives, over-allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilization shall be for the account of the Stabilizing Manager.

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this offering memorandum or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this offering memorandum or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

Each of the Joint Lead Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

SWITZERLAND

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering memorandum nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the offering, nor the Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Bonds will not benefit from protection or supervision by such authority.

REPUBLIC OF ITALY

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the offering memorandum or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

(i) qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the offering memorandum or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in circumstances which do not constitute an offer to the public or an invitation of offers by the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not require a document that is a "prospectus" or do not result in any document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32 of the Laws of Hong Kong); and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each Joint Lead Manager has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PEOPLE'S REPUBLIC OF CHINA

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

CAYMAN ISLANDS

Each of the Joint Lead Managers represents, warrants and agrees that it has not made and will not make any invitation, directly or indirectly, to the public in the Cayman Islands to offer or sell the Bonds.

GENERAL INFORMATION

1. **General Information of the Company**: We were incorporated in the Cayman Islands on September 14, 2006 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's registration number is 173931. Our shares have been listed on the Hong Kong Stock Exchange since February 23, 2007 under stock code 1886. Our principal place of business in the PRC is located at Huiyuan Road, Beixiaoying Town, Shunyi District, Beijing, PRC. Our principal place of business in Hong Kong is located at Edinburgh Tower, 33/F, The Landmark, 15 Queen's Road Central, Hong Kong. Our registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. Our telephone number is (8610) 60484162.

2. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 125008135 and the International Securities Identification Number for the Bonds is XS1250081350.

3. **Listing of the Bonds**: Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market in accordance with the rules and regulations of such exchange. The estimate of the total expenses related to admission to trading on the Irish Stock Exchange is €6,000. However, we cannot assure you that the application to such stock exchange will be approved. The settlement of the Bonds is not conditional on obtaining such listing. We may elect to apply for a delisting of the Bonds from any stock exchange or markets if the listing requirements are unduly burdensome. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Bonds and is not itself seeking admission of the Bonds to the Official List of the Irish Stock Exchange as to trading on the Global Exchange Market of the Irish Stock Exchange.

4. **Consents**: Except as may otherwise be indicated in this offering memorandum, all authorizations, consents and approvals to be obtained by us for, or in connection with, the creation and issue of the Bonds, the performance of our obligations expressed to be undertaken by us and the distribution of this offering memorandum had been obtained and were in full force and effect at the pricing of the offering. The issue of the Bonds by us was authorized pursuant to a resolution of our board of directors on June 18, 2015.

5. **No Material Adverse Change**: Save as disclosed in this offering memorandum, since December 31, 2014, there has been no material adverse change in the prospects of the Company or the prospects of ABC and since December 31, 2014, there has been no significant change in the financial or trading position of the Company or that of ABC.

6. **Litigation**: None of us or any of our subsidiaries is involved in any litigation or arbitration proceedings that we believe are material in the context of the offering of the Bonds nor are we aware that any such proceedings are pending or threatened. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) in the twelve months preceding the date of this offering memorandum which may have or have in such period had a significant effect upon the financial position or profitability of the Company or that of ABC.

7. **Available Documents**: Physical copies of our annual report for the years ended December 31, 2013 and 2014, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and the Articles of Association of the Company will be available for inspection from the Issue Date at the specified offices of the Agents during normal business hours, for the life of the Listing Particulars.

8. **Audited Financial Statements**: Our consolidated financial statements as of and for each of the years ended December 31, 2013 and 2014 included in this offering memorandum have been audited by PricewaterhouseCoopers as stated in its reports appearing herein. PricewaterhouseCoopers is registered as a certified public accountant under the Professional Accountants Ordinance in Hong Kong.

9. **ABC's Articles of Association**: Electronic copies of ABC's articles of association is available for inspection from the website of the Hong Kong Stock Exchange at http://www.hkex.com.hk.

10. **ABC's Audited Financial Statements**: Electronic copies of the audited annual report of ABC for the last two financial years are available for inspection from its corporate website and the website of the Hong Kong Stock Exchange at www.hkex.com.hk.

INDEX TO FINANCIAL INFORMATION

Audited Financial Statements as of and for the year ended December 31, 2014

Audited Financial Statements as of and for the year ended December 31, 2013

Note:

(1) The audited consolidated financial statements set out herein have been reproduced from our annual reports for 2014 and 2013 and page references are references to pages set forth in such annual reports.

Independent Auditor's Report

羅兵咸永道

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 57 to 142, which comprise the consolidated and company balance sheets as at 31 December 2014, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2014, and of the Group's loss 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, 26 March 2015

Consolidated Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**1,099,054**	1,123,894
Property, plant and equipment	8	**6,730,941**	6,968,560
Intangible assets	9	**4,200,920**	4,227,889
Deferred income tax assets	11	**142,700**	91,173
Long-term prepayment	12	**142,615**	98,555
Investments accounted for using the equity method	13	**10,515**	6,413
Long-term receivable		**1,128**	1,288
Total non-current assets		**12,327,873**	12,517,772
Current assets			
Inventories	15	**1,211,233**	1,325,267
Trade and other receivables	14	**2,182,987**	1,855,075
Available-for-sale financial assets	16	**265,423**	—
Restricted cash	17	**452,882**	577,785
Cash and cash equivalents	17	**694,373**	937,421
Total current assets		**4,806,898**	4,695,548
Total assets		**17,134,771**	17,213,320
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**180**	147
Share premium	18	**8,303,542**	6,006,880
Convertible preference shares	18	**541,474**	2,831,338
Other reserves		**297,814**	275,306
Retained earnings		**1,315,019**	1,462,875
— Proposed final dividend	33	**—**	—
— Others		**1,315,019**	1,462,875
		10,458,029	10,576,546
Non-controlling interests in equity		**141,691**	147,966
Total equity		**10,599,720**	10,724,512

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**327,782**	1,837,280
Deferred government grants	23	**62,202**	92,969
Trade and other payables	21	**57,140**	—
Deferred income tax liabilities	11	**9,247**	9,609
Convertible Bonds	24	**860,382**	—
Total non-current liabilities		**1,316,753**	1,939,858
Current liabilities			
Trade and other payables	21	**2,020,112**	1,675,734
Convertible Bonds	24	**—**	837,576
Taxation payable		**56,910**	76,694
Deferred revenue		**10,609**	10,183
Borrowings	22	**3,130,667**	1,948,763
Total current liabilities		**5,218,298**	4,548,950
Total liabilities		**6,535,051**	6,488,808
Total equity and liabilities		**17,134,771**	17,213,320
Net current (liabilities)/assets		**(411,400)**	146,598
Total assets less current liabilities		**11,916,473**	12,664,370

The notes on pages 63 to 142 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 142 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

Director *Director*

Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	10(a)	**13,121,269**	12,449,157
Loans to subsidiaries		**124,606**	23,786
Total non-current assets		**13,245,875**	12,472,943
Current assets			
Cash and cash equivalents	17	**301,648**	5,110
Total current assets		**301,648**	5,110
Total assets		**13,547,523**	12,478,053
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**180**	147
Share premium	18	**8,303,542**	6,006,880
Convertible preference shares	18	**541,474**	2,831,338
Reserves	19	**1,700,003**	1,729,542
Total equity		**10,545,199**	10,567,907
LIABILITIES			
Non-current liabilities			
Borrowings	22	**291,671**	884,051
Convertible Bonds	24	**860,382**	—
Total non-current liabilities		**1,152,053**	884,051
Current liabilities			
Other payables	21	**7,921**	7,575
Borrowings	22	**1,842,350**	180,944
Convertible Bonds	24	**—**	837,576
Total current liabilities		**1,850,271**	1,026,095
Total liabilities		**3,002,324**	1,910,146
Total equity and liabilities		**13,547,523**	12,478,053
Net current liabilities		**(1,548,623)**	(1,020,985)
Total assets less current liabilities		**11,697,252**	11,451,958

The notes on pages 63 to 142 are an integral part of this financial statement.

The financial statements on pages 57 to 142 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

Director Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	6	**4,592,050**	4,503,885
Cost of sales	27	**(2,997,970)**	(3,105,553)
Gross profit		**1,594,080**	1,398,332
Selling and marketing expenses	27	**(1,395,694)**	(1,248,886)
Administrative expenses	27	**(508,275)**	(413,874)
Other income — net	25	**105,102**	337,472
Other gains — net	26	**151,004**	425,928
Finance expenses	29	**(318,622)**	(230,670)
Finance income	30	**28,495**	62,702
Unrealised gain/(loss) on change of fair value of embedded derivatives of convertible bonds	24	**308,644**	(4,851)
Loss on early redemption of convertible bonds	24	**(65,776)**	—
Share of loss of investments accounted for using the equity method	13	**(3,343)**	(7,332)
(Loss)/profit before income tax		**(104,385)**	318,821
Income tax expense	31	**(22,623)**	(83,392)
(Loss)/profit for the year		**(127,008)**	235,429
(Loss)/profit attributable to:			
Equity holders of the Company		**(126,768)**	228,463
Non-controlling interests		**(240)**	6,966
		(127,008)	235,429
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		**423**	—
Total comprehensive (loss)/income for the year		**(126,585)**	235,429
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(126,345)**	228,463
Non-controlling interests		**(240)**	6,966
		(126,585)	235,429
(Losses)/earnings per share attributable to the ordinary shareholders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**(4.8)**	13.5
— diluted	32(b)	**(12.8)**	13.5
(Losses)/earnings per share attributable to the preference shares holders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**(4.8)**	13.5
— diluted	32(b)	**(12.8)**	13.5

The notes on pages 63 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company							
		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 2014		147	6,006,880	2,831,338	275,306	1,462,875	10,576,546	147,966	10,724,512
Comprehensive income									
Loss for the year		–	–	–	–	(126,768)	(126,768)	(240)	(127,008)
Other comprehensive income		–	–	–	423	–	423	–	423
Total comprehensive income		–	–	–	423	(126,768)	(126,345)	(240)	(126,585)
Transactions with owners									
Share-based compensation		–	–	–	12,514	–	12,514	–	12,514
Shares issued pursuant to Share Award Scheme		–	6,463	–	(6,463)	–	–	–	–
Vesting of shares under Share Award Scheme		–	368	–	(5,089)	–	(4,721)	–	(4,721)
Shares converted from convertible preference shares	18	33	2,289,831	(2,289,864)	–	–	–	–	–
Profit appropriation to statutory reserves		–	–	–	21,088	(21,088)	–	–	–
Acquisition of non-controlling interests of a subsidiary		–		–	35	–	35	(6,035)	(6,000)
Total transactions with owners		33	2,296,662	(2,289,864)	22,085	(21,088)	7,828	(6,035)	1,793
Balance at 31 December 2014		180	8,303,542	541,474	297,814	1,315,019	10,458,029	141,691	10,599,720
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

The notes on pages 63 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**344,219**	958,028
Interest paid		**(234,165)**	(221,886)
Interest received		**28,495**	7,572
Income tax paid		**(94,297)**	(13,842)
Cash flows generated from operating activities — net		**44,252**	729,872
Cash flows used in investing activities			
Acquisition of subsidiaries, net of cash acquired		**—**	45,952
Proceeds from disposal of subsidiaries, net of cash disposed (Note 38)		**359,977**	601,909
Proceeds from disposal of land use rights		**136,335**	—
Proceeds from disposal of property, plant and equipment		**4,322**	14,337
Purchase of property, plant and equipment		**(411,404)**	(208,149)
Purchase of land use rights		**(72,408)**	(125,842)
Investment in an associate	13	**(2,445)**	—
Investment in a joint venture	13	**(5,000)**	—
Investment in available-for-sale financial assets		**(265,000)**	—
Decrease/(increase) in restricted cash		**124,903**	(462,016)
Prepayment for consideration of business combination	40	**(36,447)**	—
Acquisition of non-controlling interests of a subsidiary	37	**(6,000)**	—
Cash flows used in investing activities — net		**(173,167)**	(133,809)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**—**	302,443
Issuance costs in relation to issuance of ordinary shares		**—**	(4,586)
Shares purchased for Share Award Scheme		**(4,721)**	—
Contribution from non-controlling interests of subsidiaries		**66,974**	141,000
Proceeds from banks and other financial institution borrowings		**3,411,915**	2,177,059
Repayments of borrowings from bank and other financial institution		**(3,764,388)**	(2,793,576)
Proceeds from insurance of convertible bonds		**922,815**	—
Redemption of convertible bonds		**(745,739)**	—
Cash flows used in financing activities — net		**(113,144)**	(177,660)
Exchange losses on cash and cash equivalents		**(989)**	(2,109)
Net (decrease)/increase in cash and cash equivalents		**(243,048)**	416,294
Cash and cash equivalents at beginning of the year	17	**937,421**	521,127
Cash and cash equivalents at end of the year	17	**694,373**	937,421

The notes on pages 63 to 142 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 concentrate, puree and 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 26 March 2015.

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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

2.1 Going concern

As of 31 December 2014, the Group's current liabilities exceeded its current assets by RMB411,400,000. The Group has considered the current economic environment, its ability to generate net cash inflows from its future operating activities, its expected ability to renew short-term borrowings on their maturity dates, its unused bank facilities and other refinance capabilities. After consideration of these factors, the directors believe the Group has the ability to repay its borrowings on their maturity dates or refinance them when they mature during the 12 months period from 31 December 2014. Therefore, these financial statements have been prepared on the going concern basis.

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 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's consolidated financial statements.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's consolidated financial statements as a result.

  Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

3. Summary of significant accounting policies (Continued)

(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 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

  There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Summary of significant accounting policies (Continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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.

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.1 *Consolidation* (Continued)

(a) Business combinations (Continued)

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 3.6).

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. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

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.

3.1.3 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.

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.3 *Associates* (Continued)

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.

3.1.4 *Joint arrangements*

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 functional currency of the Company's PRC subsidiaries and the presentation currency of the Group.

(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 is calculated using the straight-line method to allocate their costs 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 3.7).

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 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. Summary of significant accounting policies (Continued)

3.6 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. As the Group mainly engaged in juice business, the Company and subsidiaries were collectively viewed as one cash-generating unit (Note 3.7).

(b) Trademarks

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.

(c) Computer software licences

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.

(d) 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)

3.6 Intangible assets (Continued)

(e) 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 lives of the sales distribution networks and customer relationship.

3.7 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 that are subject to amortisation 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.

3.8 Financial assets

3.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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 mainly comprise trade and other receivables, restricted cash, cash and cash equivalents in the balance sheet (Note 3.10 and 3.11).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale financial assets represented investment in financial products issued by commercial banks in the PRC.

3. Summary of significant accounting policies (Continued)

3.8 Financial assets (Continued)

3.8.2 Recognition and measurement

Regular way 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as “other gains, net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive as part of other income. Dividends on available-for-sale equity instruments are also recognised in the statement of comprehensive income as part of ‘other income’ when the Group’s right to receive payments is established.

3.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. Summary of significant accounting policies (Continued)

3.8 Financial assets (Continued)

3.8.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

3. Summary of significant accounting policies (Continued)

3.8 Financial assets (Continued)

3.8.4 *Impairment of financial assets* (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

3.9 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.

3.10 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 (or in the normal operating cycle of the business if longer), 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 allowance for impairment.

3. Summary of significant accounting policies (Continued)

3.11 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.

3.12 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.

3.13 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.

3.14 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. Summary of significant accounting policies (Continued)

3.15 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.

(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.

3.16 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.

3. Summary of significant accounting policies (Continued)

3.16 Current and deferred income tax (Continued)

(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.

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.

3. Summary of significant accounting policies (Continued)

3.16 Current and deferred income tax (Continued)

(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.

3.17 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.

3.18 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 or hold shares for a specified period of time).

3. Summary of significant accounting policies (Continued)

3.18 Share-based payments (Continued)

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

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 and share premium.

(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.

3.19 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. Summary of significant accounting policies (Continued)

3.20 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.

(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. Summary of significant accounting policies (Continued)

3.20 Revenue recognition (Continued)

(d) 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.

3.21 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.

3.22 Dividend distribution

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

3.23 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. Summary of significant accounting policies (Continued)

3.24 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 sales proceeds/receivables of award credits as deferred revenue at their fair value. Revenue is recognised when award credits are redeemed and the Group fulfils its obligations to supply the 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 2014 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2014, if the RMB strengthened/weakened by 5% against the USD and the Euro with all other variables remaining unchanged, the Group's post-tax loss for 2014 would have been decreased/increased by RMB113,670,000 (2013: RMB115,725,000), mainly due to the foreign exchange gains/losses 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 unrealized loss on the change of fair value of embedded derivative of the convertible bonds as well as the liability of the Group. For details of the convertible bonds, refer to Note 24.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash as well as trade and other receivables.

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 RMB575,536,000 as at 31 December 2014 (2013: RMB479,549,000), representing 33% of the total balance of trade receivables at 31 December 2014 (2013: 40%).

Substantially all the Group's cash at banks and bank deposits are deposited in financial institutions in Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. The 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 amounted to RMB598,370,000 (2013: RMB1,325,462,000). These balances represent 86% of total bank balances at 31 December 2014 (2013: 86%).

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(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.

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.

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	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 2014				
Non-current bank borrowings	–	25,000	302,782	–
Current bank borrowings	3,130,667	–	–	–
Interest payable for bank borrowings	58,344	1,591	11,586	–
Convertible bonds	–	185,952	674,430	–
Trade and other payables	1,903,485	10,000	47,140	–
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	–	–	867,554	–
Trade and other payables	1,577,184	–	–	–
Company				
At 31 December 2014				
Non-current bank borrowings	–	–	291,671	–
Current bank borrowings	1,842,350	–	–	–
Interest payable for bank borrowings	31,152	–	10,872	–
Convertible bonds	–	185,952	674,430	–
Other payables	7,921	–	–	–
At 31 December 2013				
Non-current bank borrowings	–	884,051	–	–
Current bank borrowings	180,944	–	–	–
Interest payable for bank borrowings	23,689	15,057	–	–
Convertible bonds	837,576	–	–	–
Other payables	7,575	–	–	–

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. The Group's interest rate risk mainly arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the group to fair value interest rate risk. As at each balance sheet dates, substantially all of the Group's borrowings were carried at variable market lending rates.

At 31 December 2014, if interest rates on US dollar-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been RMB14,492,000 (2013: RMB13,997,000) higher/lower, 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 and excluding convertible bonds) divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2014, the debt-to-equity ratio was 41.3% (including convertible bonds) (2013: 43.7%), and 33.1% (excluding convertible bonds) (2013: 35.8%), respectively.

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 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Embedded derivatives of 2016 Convertible bonds	—	—	1,242	1,242
Embedded derivatives of 2019 Convertible bonds	—	—	10,143	10,143
	—	—	11,385	11,385

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				
Embedded derivatives of 2016 Convertible bonds	—	—	80,315	80,315

The fair values of embedded derivatives of the 2016 Convertible Bonds and the 2019 Convertible Bonds were valued by estimating the values of the whole bonds with and without the embedded derivatives. Refer to Note 24 for details of convertible bonds and significant unobservable inputs.

The increase/decrease in the fair value of embedded derivatives of convertible bonds will increase/decrease the Group's post-tax loss for the year as well as the Group's total liabilities as at 31 December 2014.

The market price of the Company's share was HK$2.90 as at 31 December 2014, if the market price of the Company's share had been HK$1 higher/lower than that at 31 December 2014, the fair value of the embedded derivatives of the 2016 Convertible Bonds would have increased/decreased by RMB3,811,000 and RMB1,182,000 respectively. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2014, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB56,000 and RMB57,000 respectively. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2014, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB84,000 and RMB122,000 respectively.

4. Financial risk management (Continued)

4.3 Fair value estimation (Continued)

If the market price of the Company's share had been HK$1 higher/lower than that at 31 December 2014, the fair value of the embedded derivatives of the 2019 Convertible Bonds would have increased/decreased by RMB125,144,000 and RMB20,406,000 respectively. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2014, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB10,114,000 and RMB12,714,000 respectively. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2014, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB1,925,000 and RMB6,191,000 respectively.

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.

(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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(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 2014, value-in-use amount of the cash-generating unit ("CGU") is higher than the carrying amount of the CGU. If the budgeted revenue growth rates used in the value-in-use calculation for the CGU during the forecast period had been 2% lower than management's estimates at 31 December 2014, it would have decreased by 11% 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.

(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 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.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(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 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.

(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 impairment loss on receivables in the period in which such estimates has been changed.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(i) *Fair values of Convertible Bonds and embedded conversion options*

The fair values of convertible bonds and the embedded conversion options are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair values of the convertible bonds and the embedded conversion options are set out in Note 24.

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, 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:

	2014 RMB'000	2013 RMB'000
100% juice products	**1,261,306**	1,204,666
Nectars	**1,342,870**	1,456,107
Juice drinks	**989,708**	1,011,206
Other beverage products	**998,166**	831,906
	4,592,050	4,503,885

The Group made barter sales of approximately RMB210,199,000 (2013: RMB19,488,000) during the year, mainly in exchange for transportation vehicles and advertising services.

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:

	2014 RMB'000	2013 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	**1,099,054**	1,123,894
Representing:		
Opening net book amount	**1,123,894**	746,261
Additions	**100,694**	170,789
Acquisition of subsidiaries	**—**	386,156
Amortization of prepaid operating lease payments (Note 27)	**(25,177)**	(18,259)
Disposals	**—**	(17,734)
Disposal of subsidiaries (Note 38)	**(100,357)**	(143,319)
Closing net book amount	**1,099,054**	1,123,894

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 2014						
Opening net book amount	**1,283,068**	**4,669,156**	**42,356**	**140,412**	**833,568**	**6,968,560**
Additions	**14,104**	**54,057**	**81,584**	**15,036**	**289,216**	**453,997**
Transfer upon completion	**209,926**	**93,437**	**56,667**	**4,649**	**(364,679)**	**–**
Disposals	**(10,356)**	**(7,108)**	**(7,015)**	**(4,992)**	**(36,140)**	**(65,611)**
Disposal of a subsidiary (Note 38)	**(39,113)**	**(68,006)**	**–**	**–**	**–**	**(107,119)**
Depreciation (a) (Note 27)	**(43,204)**	**(435,394)**	**(9,736)**	**(30,552)**	**–**	**(518,886)**
Closing net book amount	**1,414,425**	**4,306,142**	**163,856**	**124,553**	**721,965**	**6,730,941**
At 31 December 2014						
Cost	**1,603,084**	**6,584,904**	**276,811**	**366,803**	**721,965**	**9,553,567**
Accumulated depreciation	**(188,659)**	**(2,278,762)**	**(112,955)**	**(242,250)**	**–**	**(2,822,626)**
Net book amount	**1,414,425**	**4,306,142**	**163,856**	**124,553**	**721,965**	**6,730,941**
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	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	(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

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

	2014 RMB'000	2013 RMB'000
Cost of sales	**455,527**	370,752
Administrative expenses	**32,568**	28,741
Selling and marketing expenses	**30,791**	41,253
	518,886	440,746

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

(b) Operating lease rentals amounting to approximately RMB18,347,000 for the year ended 31 December 2014 (2013: RMB9,143,000) relating to the lease of building and machinery are included in the consolidated statement of comprehensive income.

(c) There is no property, plant and equipment of the Group pledged as security for bank borrowings at 31 December 2014 (2013: nil).

(d) During the year, the Group has capitalised borrowing costs amounting to RMB35,529,000 (2013: RMB68,016,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.6% (2013: 4.04%).

9. Intangible assets — Group

	Goodwill RMB'000	Sales distribution networks and customer relationships RMB'000	Trademarks RMB'000	License right RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2014						
Opening net book amount	3,941,580	167,511	117,620	–	1,178	4,227,889
Additions	–	–	–	–	64	64
Amortisation charge (a) (Note 27)	–	(21,012)	(5,931)	–	(90)	(27,033)
Closing net book amount	3,941,580	146,499	111,689	–	1,152	4,200,920
At 31 December 2014						
Cost	3,941,580	226,924	177,907	11,864	1,540	4,359,815
Accumulated amortisation and impairment (b)	–	(80,425)	(66,218)	(11,864)	(388)	(158,895)
Net book amount	3,941,580	146,499	111,689	–	1,152	4,200,920
Year ended 31 December 2013						
Opening net book amount	166,067	148,480	122,808	739	339	438,433
Additions	–	–	–	–	487	487
Acquisition of subsidiaries	3,775,513	33,630	–	–	415	3,809,558
Amortisation charge (a) (Note 27)	–	(14,599)	(5,188)	(739)	(63)	(20,589)
Closing net book amount	3,941,580	167,511	117,620	–	1,178	4,227,889
At 31 December 2013						
Cost	3,941,580	226,924	177,907	11,864	1,476	4,359,751
Accumulated amortisation and impairment (b)	–	(59,413)	(60,287)	(11,864)	(298)	(131,862)
Net book amount	3,941,580	167,511	117,620	–	1,178	4,227,889

9. Intangible assets — Group (Continued)

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

(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. As the Group mainly engaged in juice business, the Company and subsidiaries were collectively viewed as one 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 forecasted period when optimum utilization of production capacity is expected to be reached. Cash flows beyond the six-year period are extrapolated using the estimated long-term growth rates of 3%.

The other key assumptions used for value-in-use calculations in 2014 include budgeted revenue growth rates (in the range of 8%–20%) during the forecast period, budgeted gross margins (in the range of 36%–40%) and discount rate of 11% applied to the cash flow projections.

Management determined budgeted revenue growth rate and gross margin based on past performances and its expectations of market development. The long-term growth rates used are determined after considering industry forecasts and the Group's market position. The discount rate used is post-tax and reflect specific risks relating to the Group's business operations.

Based on the above assessment, the directors are of the view that there was no impairment of goodwill as at 31 December 2014.

(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.

The balances are 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	
	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	**15,580,657**	15,828,186
Amounts due from subsidiaries[i]	**1,207,066**	299,939
Capital contribution relating to share-based payment	**34,013**	21,499
Less: Impairment provision	**(3,700,467)**	(3,700,467)
	13,121,269	12,449,157

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 was the list of all subsidiaries at 31 December 2014:

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.	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 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%

10. Interests in and loans to subsidiaries (Continued)

(a) Interests in subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[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%
[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%

10. Interests in and loans to subsidiaries (Continued)

(a) Interests in subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[1]Beijing Huiyuan Potable Water Co., Ltd.	The PRC	Sales of potable water	RMB3,000,000	100%
[1]Huanggang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	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%
Beijing Huiyuan Total Fruit Industry Limited	The PRC	Investment holdings	RMB82,000,000	100%
[1]Beijing Huiyuan Group Wanrong Co., Ltd.	The PRC	Manufacture of puree, concentrated juice and preform	RMB60,000,000	100%
[1]Beijing Huiyuan Group Jizhong Food & Beverage Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB7,000,000	100%
[1]Huiyuan Jiulonggou Biology and Farming Limited	The PRC	Manufacture of puree and concentrated juice	RMB13,000,000	100%
[1]Beijing Huiyuan Group Leling Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB10,000,000	100%
[1]Beijing Huiyuan Group Youyu Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Beijing Huiyuan Group Pingyi Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB2,000,000	100%
[1]Beijing Huiyuan Group Wanbei Fruit Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB8,000,000	100%
[1]Taian Huiyuan Food and Beverage Co. Ltd.	The PRC	Manufacture of preform	RMB10,000,000	100%
[1]Beijing Huiyuan Group Yangling Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Beijing Huiyuan Group Hengshui Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Shandong Yiyuan Yongxin Packing Co., Ltd.	The PRC	Manufacture of carton	RMB1,000,000	100%
[1]Beijing Huiyuan Group Longhua Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Kashi Huiyuan Food & Beverage Co., Ltd.	The PRC	Trading of fruit and fruits	RMB20,000,000	100%
[1]Shanxi Guangfuyuan Trading Company Limited	The PRC	Sales of juice and beverages	RMB1,020,000	100%
[1]Lingbao Huiyuan Jindi Eucommia Industry Co., Ltd.	The PRC	Planting and processing of Eucommia	RMB300,000,000	75%
[1]Jilin Shengzeyuan Trading Co., Ltd*	The PRC	Trading of fruit and fruits	RMB1,000,000	100%
[1]Beijing Qianyubaoli Trading Co., Ltd*	The PRC	Trading of fruit and fruits	RMB2,000,o00	100%
[1]Tianjin Huiyuan Qianyu Trading Co., Ltd*	The PRC	Trading of fruit and fruits	RMB1,000,000	100%
[1]Puer Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]Kashi Huiyuan Total Fruit Industry Limited*	The PRC	Manufacture of puree and concentrated juice	RMB80,000,000	100%

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 2014.

(b) Loans to subsidiaries

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

(c) Material non-controlling interests

The total non-controlling interests as at 31 December 2014 amounted to RMB141,691,000. No subsidiary has non-controlling interests that are material to the Group.

11. Deferred income tax — Group

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	129,869	36,740
— Deferred tax asset to be recovered within 12 months	12,831	54,433
	142,700	91,173
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	(8,885)	(9,198)
— Deferred tax liability to be recovered within 12 months	(362)	(411)
	(9,247)	(9,609)
Deferred tax assets (net)	133,453	81,564

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

	2014 RMB'000	2013 RMB'000
At 1 January	81,564	90,927
Tax losses	53,090	4,474
Deferred revenue and other unpaid payables	107	(11,308)
Amortisation of trademark	(347)	(347)
Government grants received	(87)	(2,642)
Provisions for impairment of inventories and receivables	(7,231)	9,059
Unrealised profit	5,138	1,048
Fair value gains (a)	362	(9,609)
Other temporary differences	857	(38)
At 31 December	133,453	81,564

11. Deferred income tax — Group (Continued)

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 2013	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**
Credited/(charged) to the consolidated statement of comprehensive income	(7,231)	(87)	(347)	53,090	5,138	107	857	51,527
At 31 December 2014	**6,097**	**1,560**	**6,529**	**115,327**	**9,677**	**2,653**	**857**	**142,700**

Deferred tax liabilities	Fair value gains [(a)] RMB'000
At 1 January 2013	—
Acquisition of subsidiaries	(9,689)
Charged to the consolidated statement of comprehensive income	80
At 31 December 2013	(9,609)
Credited to the consolidated statement of comprehensive income	362
At 31 December 2014	(9,247)

(a) Deferred tax liabilities results from the revaluation of the assets acquired from the acquisition of puree and concentrated juice business in 2013. 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 RMB164,615,000 (2013: RMB103,578,000) in respect of losses amounting to RMB658,460,000 (2013: RMB414,313,000) that can be carried forward against future taxable income. The related losses amounting to RMB79,279,000 (2013: RMB33,244,000) and RMB579,181,000 (2013: RMB381,069,000) will expire in 2015 and the years between 2016 and 2019 respectively.

Deferred income tax liabilities of RMB36,552,000 (2013: 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 2014. 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 2014 and 2013 since the Group has no plan to distribute such profits in the foreseeable future.

12. Long-term prepayment — Group

	2014 RMB'000	2013 RMB'000
Long-term prepayment for LUR	**16,854**	57,902
Long-term prepayment for PPE	**89,314**	36,269
Long-term prepayment for advertising	**—**	4,384
Prepayment for consideration of business combination (Note 40)	**36,447**	—
	142,615	98,555

13. Investments accounted for using the equity method — Group

The amounts recognised in the balance sheet are as follows:

	2014 RMB'000	2013 RMB'000
Associates	**5,781**	6,413
Joint ventures	**4,734**	—
At 31 December	**10,515**	6,413

The loss recognised in the statement of comprehensive income are as follows:

	2014 RMB'000	2013 RMB'000
Associates	**(3,077)**	(7,332)
Joint ventures	**(266)**	—
For the year ended 31 December	**(3,343)**	(7,332)

Investment in associates:

	2014 RMB'000	2013 RMB'000
At 1 January	**6,413**	13,745
Investment in an associate	**2,445**	—
Share of loss of associates	**(3,077)**	(7,332)
At 31 December	**5,781**	6,413

13. Investments accounted for using the equity method — Group (Continued)

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 2014. The following table presents the Group's share of loss from continuing operations and total comprehensive income of its principal associates for the years ended 31 December 2014 and 2013. The Group does not have any share of post-tax loss from discontinued operations or other comprehensive income for the years ended 31 December 2014 and 2013.

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 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)
Year ended 31 December 2014				
Golden Creation (Tianjin) Trade Co. Ltd.	**China**	**24.45**	**(3,077)**	**(3,077)**
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd. (a)	**China**	**30.00**	**—**	**—**
			(3,077)	**(3,077)**

(a) The investment in Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd ("Beijing Xiangjuzhai") has been reduced to nil after sharing its loss for the year ended 31 December 2013. There was no additional obligation to share the loss of Beijing Xiangjuzhai for the year ended 31 December 2014.

Investment in a joint venture:

	2014 RMB'000	2013 RMB'000
At 1 January	**—**	—
Investment in a joint venture	**5,000**	—
Share of loss of a joint venture	**(266)**	—
At 31 December	**4,734**	—

13. Investments accounted for using the equity method — Group (Continued)

The directors of the Company are of the view that Group's joint venture is not material to the Group as at 31 December 2014. The joint venture listed below has share capital consisting solely of ordinary shares, which is indirectly held by the Group.

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Group	Principal activities
Erdos Huiyuan Elion Food & Beverage Co., Ltd.	China, 18 July 2014 Limited liability company	RMB10,000,000	50%	Sales of juice

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

14. Trade and other receivables — Group

	2014 RMB'000	2013 RMB'000
Trade receivables	**1,567,837**	1,088,471
Related parties (a) (Note 39(c))	**51,339**	60,820
Third parties (a)	**1,624,114**	1,083,594
Less: Provision for impairment of trade receivables (a)	**(107,616)**	(55,943)
Bills receivable — third parties (b)	**18,748**	39,326
Prepayments of raw materials and others — third parties	**439,231**	346,440
Deductible value added tax — input balance	**141,385**	207,473
Other receivables	**15,786**	173,365
Related parties (Note 39(c))	**—**	27,194
Third parties (c)	**25,065**	182,621
Less: Provision for impairment of other receivables (c)	**(9,279)**	(36,450)
	2,182,987	1,855,075

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 2014 and 2013, the ageing analysis of trade receivables was as follows:

— Third parties

	2014 RMB'000	2013 RMB'000
Within 3 months	**1,038,330**	672,211
Between 4 and 6 months	**368,652**	63,567
Between 7 and 12 months	**97,577**	326,662
Between 1 and 2 years	**112,135**	21,154
Over 2 years	**7,420**	—
	1,624,114	1,083,594

14. Trade and other receivables — Group (Continued)

(a) (Continued)

— Related parties

	2014 RMB'000	2013 RMB'000
Within 3 months	**50,493**	60,148
Over 3 months	**846**	672
	51,339	60,820

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

	2014 RMB'000	2013 RMB'000
At 1 January	**55,943**	35,016
Provision for impairment of trade receivables	**51,673**	41,299
Trade receivables written off during the year as uncollectible	**—**	(20,372)
At 31 December	**107,616**	55,943

As at 31 December 2014, trade receivables of RMB107,616,000 (2013: RMB21,154,000) 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:

	2014 RMB'000	2013 RMB'000
7 to 12 months	**2,441**	34,789
Over 1 year	**105,175**	21,154
	107,616	55,943

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

	2014 RMB'000	2013 RMB'000
Renminbi	**1,558,243**	1,014,282
U.S. Dollar	**9,594**	74,189
	1,567,837	1,088,471

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 27). 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 2014 (2013: nil).

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

	2014 RMB'000	2013 RMB'000
Receivable from disposal of land use rights	—	120,000
Deposit receivable	**12,711**	8,900
Consideration receivable from disposal of subsidiaries	**2,000**	45,000
Advance to employees	**1,326**	560
Others	**9,028**	8,161
	25,065	182,621

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

	2014 RMB'000	2013 RMB'000
At 1 January	**36,450**	3,339
(Reversal of provision)/provision for impairment of other receivables	**(27,171)**	33,111
At 31 December	**9,279**	36,450

15. Inventories — Group

	2014 RMB'000	2013 RMB'000
Raw materials	**724,596**	896,897
Finished goods	**168,034**	104,953
Spare parts and consumable materials	**318,603**	323,417
	1,211,233	1,325,267

The cost of inventories recognised as expenses amounted to RMB2,065,919,000 (2013: RMB2,341,144,000), which included inventory write-down of RMB5,463,000 (2013: RMB42,327,000).

16. Available-for-sale financial assets — Group

	2014 RMB'000	2013 RMB'000
Treasury products issued by commercial banks	**265,423**	—

The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are not guaranteed and the investments have an expected rate of return of 2.8% per annum. The investments are denominated in RMB and redeemable on the demand of the Group.

17. Cash and cash equivalents and restricted cash — Group and Company

Restricted cash comprised letter of credit deposits for the purchasing of equipment, deposits for note payables and time deposits for bank borrowings. All the restricted cash are dominated in Renminbi.

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at banks and cash in hand				
Denominated in				
— Renminbi Yuan	**843,332**	1,486,108	**—**	1
— U.S. Dollars	**303,784**	23,981	**301,476**	4,998
— Euros	**8**	5,038	**—**	34
— Others	**131**	79	**172**	77
	1,147,255	1,515,206	**301,648**	5,110
Less: Restricted cash				
— pledged for letter of credits	**(368,367)**	(65,947)	**—**	—
— deposit for note payables	**(59,515)**	(41,838)	**—**	—
— time deposits for bank borrowings	**(25,000)**	(470,000)	**—**	—
	(452,882)	(577,785)	**—**	—
	694,373	937,421	**301,648**	5,110

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 RMB'000	Total RMB'000
At 1 January 2014	**2,000,275**	**147**	**6,006,880**	**2,831,338**	**8,838,365**
Issuance of ordinary shares pursuant to Share Award Scheme	**2,000**	**0**	**6,463**	**–**	**6,463**
Vesting of shares under Share Award Scheme	**–**	**–**	**368**	**–**	**368**
Shares converted from convertible preference shares (a)	**530,000**	**33**	**2,289,831**	**(2,289,864)**	**–**
At 31 December 2014	**2,532,275**	**180**	**8,303,542**	**541,474**	**8,845,196**
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	75,000	5	302,438	–	302,443
Issuance costs in relation to issuance of ordinary shares	–	–	(4,586)	–	(4,586)
Issuance of ordinary shares as consideration for business combination	447,322	27	1,932,627	–	1,932,654
Issuance of convertible preference shares as consideration for business combination (a)	–	–	–	2,831,338	2,831,338
At 31 December 2013	2,000,275	147	6,006,880	2,831,338	8,838,365

(a) 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.

During the year ended 31 December 2014, CPS with carrying value of HK$2,893,800,000 (equivalent to approximately RMB2,289,864,000) had been converted into ordinary shares of the Company.

19. Reserve of the Company

	Company RMB'000
At 1 January 2014	**1,729,542**
Loss for the year	**(42,053)**
Share-based compensation	**12,514**
At 31 December 2014	**1,700,003**
At 1 January 2013	1,776,157
Loss for the year	(46,615)
At 31 December 2013	1,729,542

20. Share-based compensation

(a) Share Option Scheme

The share option scheme was approved on 30 January 2007.

Under the share option scheme, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 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 grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option. As at 31 December 2014, 22,697,208 share options granted on 25 February 2008 had lapsed and the number of outstanding share options was 12,752,792.

27,180,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of five years. Commencing from the first, second, third and fourth anniversary of the date of grant, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option. As at 31 December 2014, 9,250,000 share options granted on 20 March 2014 had lapsed and the number of outstanding share options was 17,930,000.

750,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of three years.

Except above, there is no other share option granted under the share option scheme.

20. Share-based compensation (Continued)

(a) Share Option Scheme (Continued)

Movement of the options granted under the share option scheme during the year ended 31 December 2014 is as follows:

Grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the options outstanding as at 1 January 2014	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed 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 2014
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	13,769,792	–	(1,017,000)	–	12,752,792
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	–	27,180,000	(9,250,000)	–	17,930,000
An aggregate of 5 directors	20 March 2014	20 March 2024	6.12	–	750,000	–	–	750,000

The fair value of the share options granted on 20 March 2014 has been valued by an independent qualified valuer using the Binomial valuation model.

	RMB'000
Fair value of the share options granted on 20 March 2014	51,622

The fair value of the share options was determined using the binomial model. The significant inputs into the model were as follows:

Grant date	20 March 2014
Spot share price (HK$)	6.12
Strike price (HK$)	6.12
Expected volatility	42.67%
Maturity (years)	10
Interest rate	2.30%
Dividend yield	0%
Suboptimal exercise factor for employees	1.5

20. Share-based compensation (Continued)

(a) Share Option Scheme (Continued)

The expected volatility is estimated by making reference to the volatility of the Company.

Fair values of the share options are charged to the consolidated statement of comprehensive income over the vesting periods of the options. The amount charged to the consolidated comprehensive income statement as employee benefit expense during the year ended 31 December 2014 was approximately RMB962,000 (2013: nil).

(b) Share Award Scheme

The Chief Executive Officer and Directors Share Award Scheme and the Employees Share Award Scheme (collectively, the "Share Award Schemes") was approved by the Board of Directors on 18 March 2014 and took effect on 19 March 2014. The purposes of the Share Award Schemes are to (a) recognise the contributions by certain grantees and incentivizing them for the continuing operation and development of the Group and (b) attract suitable personnel for further development of the Group.

The Group has established a trust (the "Share Award Trust") with Law Debenture Trust (Asia) Limited to administer and hold the Company's shares before they are vested and transferred to selected grantees. As the financial and operational policies of the Share Award Trust are governed by the Group, and the Group benefits from the Share Award Trust's activities, the Share Award Trust is consolidated in the Group's consolidated financial statements as a structured entity.

Upon granting of shares to selected grantees, the awarded shares are either purchased from the open market by the Share Award Trust (with funds provided by the Company by way of contribution or loan) or acquired by subscription at the market price. According to the vesting conditions approved by the Board of Directors, the vested shares are transferred to selected grantees at nil consideration. Dividends declared for unvested awarded shares shall become part of the trust fund for future grantees.

The maximum number of ordinary shares that may be awarded by the Board of Directors pursuant to the Share Award Scheme must not, on an aggregate basis, exceed 0.50% of the issued ordinary shares in the capital of the Company as at 19 March 2014 (being 10,042,293 shares).

When the shares awarded are granted to selected grantees, the fair value of the shares awarded based on the market value of the Company's shares on the date of grant is charged as employee benefit expenses in the consolidated statement of comprehensive income over the respective vesting periods.

During the year ended 31 December 2014, the Group granted an aggregate of 8,042,293 shares under the Share Award Scheme, amongst which 3,208,458 awarded shares vested during the year, including 1,208,458 shares purchased from the open market and 2,000,000 shares newly issued. The related share-based compensation expenses have been recognized during the year ended 31 December 2014.

20. Share-based compensation (Continued)

(b) Share Award Scheme (Continued)

Movement of the shares granted under the Share Award Scheme during the year ended 31 December 2014 is as follows:

	2014 Weighted average fair value (per share) HK$	2014 Number of Shares granted (Thousands)
As at 1 January	—	—
Granted	5.016	8,042
Vested	3.967	(3,208)
Lapsed	5.330	(4,834)
As at 31 December	—	—

The fair value of shares awarded and charged to the consolidated statement of comprehensive income was RMB11,552,000 for the year ended 31 December 2014.

21. Trade and other payables

Group	2014 RMB'000	2013 RMB'000
Trade payables (a)(b)	1,268,497	1,082,898
Related parties (Note 39(c))	45,848	40,001
Third parties	1,222,649	1,042,897
Other payables	808,755	592,836
Related parties (Note 39(c))	51,324	4,034
Third parties (c)	757,431	588,802
	2,077,252	1,675,734

	2014 RMB'000	2013 RMB'000
Trade and other payables		
Non-current	57,140	—
Current	2,020,112	1,675,734
	2,077,252	1,675,734

21. Trade and other payables (Continued)

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

— Third parties

	2014 RMB'000	2013 RMB'000
Within 3 months	**1,136,120**	934,830
Between 4 and 6 months	**53,410**	44,035
Between 7 and 12 months	**25,482**	49,883
Between 1 and 2 years	**2,689**	8,339
Between 2 and 3 years	**4,605**	5,648
Over 3 years	**343**	162
	1,222,649	1,042,897

— Related parties

	2014 RMB'000	2013 RMB'000
Within 3 months	**45,848**	35,648
Between 4 and 6 months	**—**	2,260
Between 7 and 12 months	**—**	2,093
	45,848	40,001

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

	2014 RMB'000	2013 RMB'000
Renminbi	**1,194,636**	1,048,920
U.S. Dollar	**71,784**	33,978
Euro	**2,077**	—
	1,268,497	1,082,898

21. Trade and other payables (Continued)

(c) Details of other payables — third parties are as follows:

Group	2014 RMB'000	2013 RMB'000
Payable for property, plant and equipment	**163,519**	130,342
Marketing expenses payable	**122,969**	47,288
Deposits payable	**117,536**	108,501
Advertising expenses payable	**82,195**	73,622
Accrued expenses	**62,055**	71,312
Advance from customers	**52,542**	44,094
Salary and welfare payable	**46,790**	33,632
Other taxes	**33,270**	20,224
Interest payables	**20,336**	18,420
Payable for land use rights	**12,175**	12,175
Others	**44,044**	29,193
	757,431	588,802

Company	2014 RMB'000	2013 RMB'000
Amount due to subsidiaries	**7,921**	7,575

22. Borrowings

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current				
Bank borrowings	**327,782**	1,837,280	**291,671**	884,051
Current				
Bank borrowings	**3,130,667**	1,948,763	**1,842,350**	180,944
Total Bank borrowings	**3,458,449**	3,786,043	**2,134,021**	1,064,995

22. Borrowings (Continued)

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Unsecured	**3,458,449**	3,786,043	**2,134,021**	1,064,995

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Less than 1 year	**3,130,667**	1,948,763	**1,842,350**	180,944
Between 1 and 2 years	**25,000**	968,544	**—**	884,051
Between 2 and 5 years	**302,782**	868,736	**291,671**	—
Total Bank borrowings	**3,458,449**	3,786,043	**2,134,021**	1,064,995

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

	Group		Company	
	2014	2013	2014	2013
Bank borrowings	**4.90%**	5.61%	**4.04%**	4.57%

Since the non-current bank borrowings are at floating interest rates, which equals to Libor plus appropriate credit rates, 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		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
U.S. Dollar	**2,134,021**	1,957,161	**2,134,021**	1,064,995
HKD	**38,317**	—	**—**	—
Renminbi	**1,286,111**	1,828,882	**—**	—
	3,458,449	3,786,043	**2,134,021**	1,064,995

23. Deferred government grants — Group

	2014 RMB'000	2013 RMB'000
Opening net amount at beginning of year	**92,969**	103,927
Additions	**—**	5,818
Acquisition of subsidiaries	**—**	14,625
Credited to statement of comprehensive income (Note 25)	**(30,767)**	(31,401)
Closing net amount at end of year	**62,202**	92,969
At end of year		
Cost	**130,922**	150,879
Accumulated amortisation	**(68,720)**	(57,910)
Net book amount	**62,202**	92,969

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

	2014 RMB'000	2013 RMB'000
For acquisition of property, plant and equipment	**58,076**	16,976
For acquisition of land use right	**43,763**	133,903
For operating expenses over certain periods of time	**29,083**	—
	130,922	150,879

24. Convertible Bonds — Group and Company

	2014 RMB'000	2013 RMB'000
Non-current		
The 2016 Convertible Bonds (a)	**185,952**	—
The 2019 Convertible Bonds (b)	**674,430**	—
	860,382	—
Current		
The 2016 Convertible Bonds (a)	**—**	837,576
	860,382	837,576

24. Convertible Bonds — Group and Company (Continued)

(a) The 2016 Convertible Bonds

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:

(i) Interest rate:

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

(ii) 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.

(iii) 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.

(iv) 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

24. Convertible Bonds — Group and Company (Continued)

(a) The 2016 Convertible Bonds (Continued)

(iv) Redemption at the Option of the Company (Continued)

(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.

(v) 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.

(vi) 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.

On 29 April 2014, the Company redeemed an aggregate principal amount of US$117,300,000 of the 2016 Convertible Bonds upon exercise of the redemption option by the bondholders. The difference of RMB65,776,000 between the consideration of US$121,042,000 (103.19% of US$117,300,000, equivalent to approximately RMB745,144,000) and the convertible bonds derecognised of RMB679,368,000 (Note 24(c)) has been recognised as "loss on early redemption of convertible bonds" in the consolidated statement of comprehensive income for the year ended 31 December 2014.

As at 31 December 2014, the fair value of the 2016 Convertible Bonds outstanding was determined by an independent qualified valuer. The fair value of the liability component of the 2016 Convertible Bonds was calculated at the present value of the redemption amount, at 105.6% of the outstanding principal amount. The fair value of the conversion rights of the 2016 Convertible Bonds was determined using the binomial valuation model.

24. Convertible Bonds — Group and Company (Continued)

(a) The 2016 Convertible Bonds (Continued)

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

The fair value gain in the conversion rights of the 2016 Convertible Bonds for the year ended 31 December 2014 of RMB15,662,000 (2013: a loss of RMB4,851,000) was recognised as "unrealised gain on change of fair value of embedded derivatives of convertible bonds" in the consolidated statement of comprehensive income. The related interest expense of the liability component of the 2016 Convertible Bonds for the year ended 31 December 2014 amounted to RMB59,605,000 (2013: RMB111,273,000), which was calculated using the effective interest method with an effective interest rate of 16.45%.

As at 31 December 2014, the 2016 Convertible Bonds were classified as non-current liabilities as the Company is not obliged to redeem the remaining outstanding bonds until 29 April 2016.

As at 31 December 2013, the 2016 Convertible Bonds were classified as current liabilities due to that the redemption option of the bonds falls on 29 April 2014.

(b) The 2019 Convertible Bonds

On 31 March 2014, the Company issued an aggregate of US$150,000,000 convertible bonds due 30 April 2019 (the "2019 Convertible Bonds").

The major terms and conditions of the 2019 Convertible Bonds are as follows:

(i) Interest rate:

The Company shall pay an interest on the 2019 Convertible Bonds at 4.0% per annum. Interest rate will be subject to adjustment upon conversion of the 2019 Convertible Bonds but retrospectively for the whole life of the convertible bonds (and not in respect of the preceding interest period only) by reference to the conversion price in effect on the relevant conversion date, such that the adjusted interest rate shall be either 0% per annum or 9% per annum.

24. Convertible Bonds — Group and Company (Continued)

(b) The 2019 Convertible Bonds (Continued)

(ii) Conversion price:

The conversion price is initially HK$7.00 per share, subject to adjustments for certain specified dilutive and other events, including the adjustment by reference to the Adjusted EPS (as defined below) of the Company on the relevant conversion (provided always that the conversion price in effect on the relevant conversion date shall not be less than HK$5.30 nor exceed HK$7.00).

The Adjusted EPS means the Company's adjusted net income for the financial year, which is mutually agreed by the Company and the holders and shall be equal to the total comprehensive income for the year attributable to equity holders of the Company based on the announced annual financial statements of the Company for the relevant year excluding certain extraordinary, exceptional and non-recurring items but including certain permitted items, divided by the total number of shares outstanding at the end of such financial year (on a fully-diluted basis).

(iii) Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding bonds at 105% of the principal amount together with any accrued but unpaid interest on such principal amount on 30 April 2019.

(iv) Redemption at the Option of the holders

A Bondholder shall have the right at its sole option (but is not obliged) to require the Company to redeem the Bonds (in full or in part) at an amount equal to 103% of the principal amount together with any accrued but unpaid interest on such principal amount on 31 March 2017.

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 derivatives 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.

24. Convertible Bonds — Group and Company (Continued)

(b) The 2019 Convertible Bonds (Continued)

(iv) *Redemption at the Option of the holders* (Continued)

The fair value of the 2019 Convertible Bonds was determined by an independent qualified valuer. The fair value of the liability component upon the issuance of the 2019 Convertible Bonds was calculated at the present value of the redemption amount, at 105% of the principal amount. The fair value of the embedded derivatives (conversion component) of the 2019 Convertible Bonds was determined using the binomial valuation model.

According to the valuation report issued by an independent qualified valuer, the fair value of the 2019 Convertible Bonds on 31 March 2014 amounted to US$191 million. The difference between the fair value of the 2019 Convertible Bonds and the cash consideration of US$150 million, amounting to US$41 million (equivalent to approximately RMB251,906,000) was deferred and allocated between the liability component and conversion component based on the relative fair values of these two components on the date of issuance of the 2019 Convertible Bonds. The portion allocated to the liability component was recognised over the terms of 2019 Convertible Bonds using the effective interest method whereas the remaining portion allocated to the conversion component was amortised on a straight-line method over the terms of 2019 Convertible Bonds. The effective interest rate of the liability component is 13.95%.

The fair value of the embedded derivatives of the 2019 Convertible Bonds was determined using the binomial model, and the inputs into the model at the relevant dates were as follows:

The 2019 Convertible Bonds	Issue date of 31 March 2014	31 December 2014
Conversion price	**HK$7.000**	HK$7.000
Share price	**HK$5.640**	HK$2.900
Expected volatility[(1)]	**42.04%**	41.34%
Remaining life	**5.08 years**	4.33 years
Risk-free rate[(2)]	**1.54%**	1.35%

(1) Represents the range of the volatility curves used in the valuation analysis that the entity has determined market participants would use when the pricing contracts.

(2) Represents the yield of Fund Bills & Notes of the Stock Exchange of Hong Kong with a same maturity life as the 2019 Convertible Bonds.

24. Convertible Bonds — Group and Company (Continued)

(b) The 2019 Convertible Bonds (Continued)

(iv) Redemption at the Option of the holders (Continued)

The Company decided to issue the 2019 Convertible Bonds, even though the fair value of the 2019 Convertible Bonds was higher than the cash consideration, because the Company required additional capital to finance its general working capital requirements and the potential redemption of the 2016 Convertible Bonds.

The fair value gain in the embedded derivatives (conversion component) of the 2019 Convertible Bonds for the year ended 31 December 2014 of RMB305,125,000 and the amortisation of deferred loss on conversion component of RMB12,143,000 were recognised as "unrealised gain on change of fair value of embedded derivatives of convertible bonds" in the consolidated statement of comprehensive income. The related interest expense of the liability component of the 2019 Convertible Bonds for the year ended 31 December 2014 amounted to RMB66,288,000, which was calculated using the effective interest method.

(c) The movements in the components of the 2016 Convertible Bonds and the 2019 Convertible Bonds during the year ended 31 December 2014 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds		
	Liability component RMB'000	Embedded derivatives RMB'000	Total RMB'000	Liability component RMB'000	Embedded derivatives RMB'000	Total RMB'000
As at 1 January 2014	757,261	80,315	837,576	–	–	–
Issuance of convertible bonds	–	–	–	788,851	385,870	1,174,721
Deferred losses upon issuance	–	–	–	(169,161)	(82,745)	(251,906)
Change in fair value of embedded derivatives	–	(15,662)	(15,662)	–	(305,125)	(305,125)
Amortisation of deferred loss on conversion component	–	–	–	–	12,143	12,143
Redemption of convertible bonds	(615,957)	(63,411)	(679,368)	–	–	–
Interest expense	59,605	–	59,605	66,288	–	66,288
Interest paid	(22,499)	–	(22,499)	(18,503)	–	(18,503)
Unrealised exchange loss/(gain)	6,300	–	6,300	(3,188)	–	(3,188)
As at 31 December 2014	184,710	1,242	185,952	664,287	10,143	674,430

24. Convertible Bonds — Group and Company (Continued)

(d) According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the 2016 Convertible Bonds and the 2019 Convertible Bonds at 31 December 2014 amounted to RMB204,262,000 and RMB818,273,000 respectively, which are calculated using cash flows discounted at a rate of 7.12% and 8.27% respectively.

25. Other income —net

	2014 RMB'000	2013 RMB'000
Government subsidy income	**62,633**	224,785
Net income from sales of materials and scrap	**13,234**	12,884
Amortisation of deferred government grants (Notes 23)	**30,767**	31,401
Gain on disposals of property, plant and equipment and land use rights	**1,446**	61,995
Donation	**(9,426)**	—
Net income from sales of trucks	**—**	—
Sales of trucks	**—**	44,813
Cost of trucks	**—**	(44,813)
Others	**6,448**	6,407
	105,102	337,472

26. Other gains — net

	2014 RMB'000	2013 RMB'000
Gain on disposal of subsidiaries (Note 38)	**151,004**	425,928

27. Expenses by nature

	2014 RMB'000	2013 RMB'000
Raw materials used in inventories (Note 15)	**2,060,456**	2,298,817
Advertising and other marketing expenses	**823,317**	830,435
Employee benefit expense (Note 28)	**590,224**	402,144
Depreciation of property, plant and equipment (Note 8)	**518,886**	440,746
Transportation and related charges	**220,122**	181,596
Water and electricity	**213,982**	186,665
Impairment loss of inventories	**5,463**	42,327
City construction tax, property tax and other tax surcharges	**91,353**	70,537
Repairs and maintenance	**67,790**	56,103
Impairment loss of long term prepayment	**52,969**	—
Travelling expense	**30,773**	21,222
Office and communication expenses	**29,993**	20,474
Amortization of trade mark, license right, sales distribution networks and customer relationships (Note 9)	**27,033**	20,589
Amortization of prepaid operating lease payments (Note 7)	**25,177**	18,259
Impairment loss of trade and other receivables (Note 14)	**24,502**	74,410
Rental expenses	**18,347**	9,143
Auditors' remuneration	**4,980**	5,439
Transaction costs in relation to business combination	**—**	29,643
Other expenses	**96,572**	59,764
Total cost of sales, selling and marketing and administrative expenses	**4,901,939**	4,768,313

28. Employee benefit expense

	2014 RMB'000	2013 RMB'000
Wages and salaries	**516,438**	361,105
Contributions to pension plan and other benefits	**61,272**	41,039
Share-based compensation	**12,514**	—
	590,224	402,144

(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.

28. Employee benefit expense (Continued)

(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:

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	3,839	3,560
Contributions to pension plan	52	29
Welfare and other expenses	147	54
Share-based compensation	960	—
	4,998	3,643

The emoluments of the directors were as follows:

Name of director	2014 Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Mr. Zhu Xinli	1,320	–	83	–	1,403
Ms. Zhu Shengqin (i)	775	26	32	–	833
Mr. Cui Xianguo (ii)	720	26	32	–	778
Mr. Leung Man Kit	392	–	–	192	584
Mr. Song Quanhou	232	–	–	192	424
Mr. Zhao Chen	200	–	–	192	392
Ms. Zhao Yali	200	–	–	192	392
Mr. Andrew Y.Yan	–	–	–	192	192
Mr. Li Wen-chieh (iii)	–	–	–	–	–
Mr. Jiang Xu (iv)	–	–	–	–	–

(i) Ms. Zhu Shengqin was appointed as an executive director of the Company with effect from 29 August 2014.

(ii) Mr. Cui Xianguo was appointed as an executive director of the Company with effect from 18 March 2014.

(iii) Mr. Li Wen-chieh ceased to be an executive director of the Company with effect from 18 March 2014.

(iv) Mr. Jiang Xu ceased to be an executive director of the Company with effect from 29 August 2014.

28. Employee benefit expense (Continued)

(b) Directors' emoluments (Continued)

	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
Mr. Zhu Xinli	1,320	—	19	1,339
Mr. Li Wen-chieh	800	—	—	800
Mr. Jiang Xu	480	29	35	544
Mr. Andrew Y. Yan	—	—	—	—
Mr. Leung Man Kit	360	—	—	360
Ms. Zhao Yali	200	—	—	200
Mr. Song Quanhou	200	—	—	200
Mr. Zhao Chen	200	—	—	200

None of the directors waived any emoluments during the years ended 31 December 2014 and 2013.

During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2013: nil).

(c) Five highest paid individuals

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

	Number of individuals	
	2014	2013
Directors	1	2
Other senior management	4	3

28. Employee benefit expense (Continued)

(c) Five highest paid individuals (Continued)

The five highest paid individuals include one (2013: two) director whose emoluments were reflected in the analysis presented in Note 28(b). Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	**8,877**	4,350
Contributions to pension plan	**52**	35
Welfare and other expenses	**151**	38
Share-based compensation	**11,552**	—
	20,632	4,423

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

	Number of individuals	
	2014	2013
HK$500,001–HK$1,000,000	**—**	1
HK$1,000,001–HK$1,500,000	**—**	1
HK$1,500,001–HK$2,000,000	**1**	—
HK$2,000,001–HK$2,500,000	**1**	—
HK$2,500,001–HK$3,000,000	**—**	1
HK$9,000,001–HK$9,500,000	**1**	—
HK$11,500,001–HK$12,000,000	**1**	—

29. Finance expenses

	2014 RMB'000	2013 RMB'000
Interest expenses:		
— Bank borrowings	**216,468**	187,413
— Interest expense relating to convertible bonds (Note 24)	**125,893**	111,273
Exchange loss (excluding convertible bonds)	**8,678**	—
Exchange loss on liability component of convertible bonds (Note 24)	**3,112**	—
Less: Interest capitalised	**(35,529)**	(68,016)
	318,622	230,670
Weighted average effective interest rates used to calculate capitalisation amount	**4.60%**	4.04%

30. Finance income

	2014 RMB'000	2013 RMB'000
Interest income:		
— from bank deposits	**28,495**	7,572
Exchange gain (excluding convertible bonds)	**—**	34,509
Exchange gain on liability component of convertible bonds	**—**	20,621
	28,495	62,702

31. Income tax expense

	2014 RMB'000	2013 RMB'000
Deferred income tax credit (Note 11)	**(51,889)**	(326)
Current income tax — PRC enterprise income tax	**74,512**	83,718
	22,623	83,392

31. Income tax expense (Continued)

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

	2014 RMB'000	2013 RMB'000
(Loss)/profit before income tax	**(104,385)**	318,821
Tax calculated at the statutory tax rates of 25% (2013: 25%)	**(26,096)**	79,705
Tax effect:		
Fair value change in conversion right of convertible bonds not subject to tax	**(77,161)**	1,213
Loss on early redemption of convertible bonds not subject to tax	**16,444**	—
Impact of different tax rate	**1,375**	(689)
Expense not deductible for tax purpose	**46,883**	1,534
Tax losses for which no deferred income tax asset was recognized	**62,171**	24,763
Tax losses used in current year which no deferred income tax asset was recognised in prior year	**(1,134)**	(23,134)
Changing fair value of available-for-sale financial assets	**141**	—
Income tax expense	**22,623**	83,392

(a) The significant change in weighted average income tax rate amongst the years ended 31 December 2014 and 2013 was mainly attributable to the gain/loss of the Company arising from the change in fair value of embedded derivatives of convertible bonds. 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.

31. Income tax expense (Continued)

(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 2013 and 2014 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, 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.

32. (Losses)/earnings per share

(a) Basic

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

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

	2014 RMB'000	2013 RMB'000
(Loss)/profit attributable to equity holders of the Company		
Basic (losses)/earnings attributable to ordinary shares	**(100,591)**	211,297
Basic (losses)/earnings attributable to convertible preference shares	**(26,177)**	17,166
	(126,768)	228,463

32. (Losses)/earnings per share (Continued)

(a) Basic (Continued)

	Ordinary shares		Convertible preference shares	
	2014	**2013**	**2014**	**2013**
Weighted average number of shares outstanding for basic (losses)/earnings per share (thousands)	**2,108,007**	1,569,076	**548,560**	127,475

	2014	**2013**
Basic (losses)/earnings per ordinary share (RMB cents)	**(4.8)**	13.5
Basic (losses)/earnings per convertible preference share (RMB cents)	**(4.8)**	13.5

(b) Diluted

Diluted (losses)/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 the 2016 Convertible Bonds, the 2019 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.

32. (Losses)/earnings per share (Continued)

(b) Diluted (Continued)

	2014 RMB'000	2013 RMB'000
(Loss)/profit attributable to equity holders of the Company	**(126,768)**	228,463
Add: Interest expense relating to the 2019 Convertible Bonds	**66,288**	—
Add: Unrealised exchange loss relating to the 2019 Convertible Bonds	**(3,188)**	—
Less: Fair value change in the embedded derivatives of the 2019 Convertible Bonds	**(292,982)**	—
(Loss)/profit attributable to equity holders of the Company, used to determine diluted (losses)/earnings per share	**(356,650)**	228,463
Diluted (losses)/earnings attributable to ordinary shares	**(286,335)**	228,463
Diluted (losses)/earnings attributable to convertible preference shares	**(70,315)**	—
	(356,650)	228,463

	Ordinary shares		Convertible preference shares	
	2014	2013	2014	2013
Weighted average number of shares outstanding for basic earnings per share (thousands)	**2,108,007**	1,569,076	**548,560**	127,475
Adjustment for the 2019 Convertible Bonds	**125,808**	—	**—**	—
Weighted average number of shares outstanding for diluted (losses)/earnings per share (thousands)	**2,233,815**	1,569,076	**548,560**	127,475

	2014	2013
Diluted (losses)/earnings per ordinary share (RMB cents)	**(12.8)**	13.5
Diluted (losses)/earnings per convertible preference share (RMB cents)	**(12.8)**	13.5

32. (Losses)/earnings per share (Continued)

(b) Diluted (Continued)

For the purpose of calculating diluted (losses)/earnings per share for the years ended 31 December 2014 and 2013:

a) The 2016 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 embedded derivatives of the 2016 Convertible Bonds. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted (losses)/ earnings per share for the years ended 31 December 2014 and 2013;

b) The share options are assumed to have been exercised with no corresponding change in (loss)/profit attributable to equity holders of the Company. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted (losses)/ earnings per share for the years ended 31 December 2014 and 2013.

33. Dividends

The board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2014.

34. Notes to consolidated cash flow statement

	2014 RMB'000	2013 RMB'000
(Loss)/profit before income tax	**(104,385)**	318,821
Adjustments for:		
— Share-based compensation (Note 28)	**12,514**	—
— Other loss from early redemption of 2016 Convertible Bonds (Note 24)	**65,776**	—
— Unrealised (gain)/loss on change of fair value of embedded derivatives of convertible bonds (Note 24)	**(308,644)**	4,851
— Amortisation of deferred government grants (Note 23)	**(30,767)**	(31,401)
— Depreciation of property, plant and equipment (Note 8)	**518,886**	440,746
— Amortisation of trademark, license right, sales distribution networks and customer relationships (Note 9)	**27,033**	20,589
— Amortisation of land use rights (Note 7)	**25,177**	18,259
— Impairment loss of inventory (Note 15)	**5,463**	42,327
— Provision for trade and other receivables (Note 14)	**24,502**	74,410
— Gain on disposal of property, plant and equipment and land use rights (Note 25)	**(1,446)**	(61,995)
— Interest income from bank deposits (Note 30)	**(28,495)**	(7,572)
— Interest expense relating to Convertible Bonds (Note 29)	**125,893**	111,273
— Interest expense (Note 29)	**180,939**	119,397
— Gain on disposal of subsidiaries (Note 38)	**(151,004)**	(425,928)
— Share of loss of investments accounted for using the equity method (Note 13)	**3,343**	7,332
— Exchange loss/(gain) on Convertible Bonds (Notes 24, 29, 30)	**3,112**	(20,621)
— Exchange loss/(gain) (excluding Convertible Bonds) (Note 29, 30)	**8,678**	(34,509)
	376,575	575,979
Changes in working capital:		
— Inventories	**108,571**	513,633
— Trade and other receivables	**(438,456)**	626,185
— Trade and other payables	**297,103**	(717,384)
— Deferred revenue	**426**	(40,385)
Cash generated from operations	**344,219**	958,028

34. Notes to consolidated cash flow statement (Continued)

Non-cash transactions

The principal non-cash transactions include:

(a) The purchase of property, plant and equipment amounting to RMB163,519,000 and RMB130,342,000 have not been settled as at 31 December 2014 and 2013;

(b) The issue of 200 million ordinary shares pursuant to Share Award Scheme (Note 20).

35. Contingencies

As at 31 December 2014, 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:

	2014 RMB'000	2013 RMB'000
Purchase of property, plant and equipment	**175,686**	83,327

(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

	2014 RMB'000	2013 RMB'000
No later than 1 year	**2,000**	2,000
Later than 1 year and no later than 5 years	**2,000**	4,000
	4,000	6,000

37. Transactions with non-controlling interests

Acquisition of additional interest in a subsidiary

On 31 October 2014, the Group acquired an additional 30% of the issued shares of Kashi Huiyuan Food & Beverage Co., Ltd. ("Kashi Huiyuan") for a purchase consideration of RMB6,000,000. The carrying amount of the non-controlling interests in Kashi Huiyuan on the date of acquisition was RMB6,035,000. The Group recognised a decrease in non-controlling interests of RMB6,035,000 and an increase in capital and reserves attributable to the Company's equity holders of RMB35,000. The effect of changes in the ownership interest of Kashi Huiyuan on the capital and reserves attributable to the Company's equity holders during the year is summarised as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of non-controlling interests acquired	6,035	—
Consideration paid to non-controlling interests	(6,000)	—
Excess of consideration paid recognised within equity	35	—

38. Disposal of a subsidiary

On 12 May 2014, the Group entered into an agreement with a third party, Chengdu Huixin International Investment Co., Ltd., to transfer its entire equity interest in Beijing Huiyuan Group Huanggang Co., Ltd. ("Huanggang Huiyuan"), an indirect wholly-owned subsidiary of the Company, for a total cash consideration of RMB360,000,000. The disposal of Huanggang Huiyuan has been completed in June 2014 and the Group has received all the consideration of RMB360,000,000 as of 14 August 2014.

	2014 RMB'000
Consideration satisfied by	
Cash	360,000
Gain on disposal of the subsidiary	
Total consideration	360,000
Net assets of the subsidiary disposed — shown as below	(208,996)
	151,004

38. Disposal of a subsidiary (Continued)

The assets and liabilities of this disposed subsidiary as of disposal date:

	Carrying value RMB'000
Property, plant and equipment	107,119
Land use rights	100,357
Trade and other receivables	2,751
Cash and cash equivalents	23
Trade and other payables	(1,254)
Net assets of the subsidiary	208,996
Cash inflows arising from disposal of the subsidiary for the year ended 31 December 2014	
Proceeds received in cash	360,000
Cash and cash equivalents in the subsidiary disposed	(23)
Cash inflow on the disposal during the year	359,977

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.

39. Related-party transactions (Continued)

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

	2014 RMB'000	2013 RMB'000
Sales of goods and services		
Sales of products to an associate	**97,793**	80,914
Sales of recyclable containers to companies beneficially owned by Mr. Zhu Xinli	**11,989**	31,210
	109,782	112,124
Purchase of materials and services		
Purchase of raw materials from companies beneficially owned by Mr. Zhu Xinli	**136,677**	504,853
Purchase of transportation service from companies beneficially owned by Mr. Xinli	**18,627**	—
	155,304	504,853

Key management compensation

Key management include directors (executive and non-executives), members of executive committees and the chief financial officer. The compensation paid or payable to key management for employee services is shown below:

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	**17,754**	9,413
Contributions to pension plan	**254**	155
Welfare and other expenses	**913**	195
Share option expenses	**12,514**	—
	31,435	9,762

In the years of 2013 and 2014, 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) (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.

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

	2014 RMB'000	2013 RMB'000
Trade receivables (Note 14(a))	**51,339**	60,820
Other receivable due from related parties	**—**	27,194
Trade payables (Note 21(a))	**45,848**	40,001
Other payable to related parties	**51,324**	4,034

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

40. Events after the balance sheet date

(a) Business combination after the balance sheet date

On 4 May 2014, the Group entered into equity transfer agreements (the "Equity Transfer Agreements") with Suntory (China) Holding Co., Ltd. ("Suntory China"), pursuant to which the Group will purchase from Suntory China 100% equity interest in Suntory (Shanghai) Foods Co., Ltd. ("Suntory Foods") and 50% equity interest in Suntory (Shanghai) Foods Marketing Co., Ltd. ("Suntory Trading"), respectively. The consideration for above acquisition was RMB117,660,000 (which is subject to adjustment agreed in the Equity Transfer Agreements) and certain liabilities of Suntory Foods to be assumed by the Group.

As at 31 December 2014, the above acquisition was not completed and the Group has prepaid RMB36,447,000 for the consideration for the above acquisition. The above acquisition was subsequently completed in January 2015. Up to the approval date of these consolidated financial statements, the Group is still in the progress of determining the fair value to be assigned to the identifiable assets acquired for the purpose of allocation of purchase price and calculation of goodwill, which is expected to be completed in the first half of 2015.

(b) Drawdown of new bank borrowings

During January and February 2015, the Company has drawn an aggregate of US$167,000,000 (equivalent to approximately RMB1,025,895,000) bank borrowings. The above long-term bank borrowings are unsecured, bear interest rates at Libor plus 1.7%~2.0% per annum and repayable after 3 years of drawdown.

pwc

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	2012
		RMB'000	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	Company 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.

APPENDIX A FORM OF STANDBY LETTER OF CREDIT

IRREVOCABLE STANDBY LETTER OF CREDIT

FM: AGRICULTURAL BANK OF CHINA LIMITED NEW YORK BRANCH (SWIFT: ABOCUS33)
277 PARK AVENUE, 30TH FLOOR, NEW YORK, NY 10072
FACSIMILE: (001) 646-738-5291

DATE: JULY 7, 2015

TO BENEFICIARY: CITICOPR INTERNATIONAL LIMITED (THE "**TRUSTEE**", "**YOU**" OR "**YOUR**") WHOSE REGISTERED ADDRESS AS AT THE DATE HEREOF IS AT 50/F CITIBANK TOWER, CITIBANK PLAZA, 3 GARDEN ROAD, CENTRAL, HONG KONG, IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF THE HOLDERS (THE "**BONDHOLDERS**") OF THE €200,000,000 1.55 PER CENT. CREDIT ENHANCED BONDS DUE 2018 (THE "**BONDS**") TO BE ISSUED BY CHINA HUIYUAN JUICE GROUP LIMITED (THE "**ISSUER OF THE BONDS**"), WHOSE REGISTERED OFFICE AS AT THE DATE HEREOF IS AT FLOOR 4, WILLOW HOUSE, CRICKET SQUARE, P.O. BOX 2804, GRAND CAYMAN KYI-1112, CAYMAN ISLANDS, AND CONSTITUTED BY A TRUST DEED TO BE DATED ON OR AROUND JULY 7, 2015 AMONG THE ISSUER OF THE BONDS AND THE TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "**TRUST DEED**").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO.: [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER OF THE BONDS, WE, AGRICULTURAL BANK OF CHINA LIMITED NEW YORK BRANCH (THE "**ISSUING BANK**", "**OUR**", "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER OF THE BONDS IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS (THE "**CONDITIONS**") AND THE TRUST DEED. WE WILL MAKE PAYMENT UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT AGAINST OUR RECEIPT OF A DEMAND (SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A HERETO) (A "**DEMAND**") PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE ISSUER OF THE BONDS HAS FAILED TO COMPLY WITH 3(B) OF THE CONDITIONS IN RELATION TO PRE-FUNDING AN AMOUNT THAT IS PAYABLE UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS IN ACCORDANCE WITH 3(B) OF THE CONDITIONS OR (B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND IS CONTINUING AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE ISSUER OF THE BONDS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (C) THE ISSUER OF THE BONDS HAS FAILED TO PAY THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF DEMAND THEREFOR TO THE ISSUER OF THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, FOLLOWING RECEIPT BY US OF A DEMAND BY 11:00 A.M. (NEW YORK CITY) ON A BUSINESS DAY, WE SHALL BY 11:00 A.M. (NEW YORK CITY TIME) ON THE SECOND BUSINESS DAY (OR, IF A DEMAND IS RECEIVED, AFTER 11:00 A.M. (NEW YORK CITY TIME) ON A BUSINESS DAY, THE THIRD BUSINESS DAY) AFTER SUCH BUSINESS DAY PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN EURO SPECIFIED IN THE DEMAND CONSISTENT WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT TO THE ACCOUNT SPECIFIED IN THE DEMAND.

"BUSINESS DAY" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN LONDON, HONG KONG AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN EURO AND SHALL NOT EXCEED THE LESSER OF (A) 220 MILLION EUROS AND (B) THE SUM OF (I) THE AMOUNT (IN EURO) OF THE AGGREGATE PRINCIPAL AMOUNT OF €200,000,000 OF BONDS PLUS (II) INTEREST PAYABLE IN ACCORDANCE WITH THE CONDITIONS PLUS (III) ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER OF THE BONDS IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT PLUS (IV) ANY ADDITIONAL AMOUNTS PAYABLE BY US UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT AS A RESULT OF ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM JULY 7, 2015 AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (NEW YORK CITY TIME) ON AUGUST 6, 2018 (THE "**EXPIRY DATE**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT WHICH IS PRESENTED BEFORE 5:00 P.M. (NEW YORK CITY TIME) ON THE EXPIRY DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE OF THE BONDS TO US (SWIFT: ABOCUS33) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU MAY INSTEAD ARRANGE FOR A DEMAND TO BE PHYSICALLY PRESENTED AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR BEFORE THE EXPIRY DATE AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE OF THE BONDS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE.

MULTIPLE DRAWINGS AND PARTIAL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY AN AMOUNT EQUAL TO SUCH DRAWING. NOTWITHSTANDING THE FOREGOING, IF THERE IS ANY AMOUNT RECEIVED BY YOU UNDER ANY DEMAND WHICH IS IN EXCESS OF THE AMOUNTS PAYABLE UNDER THE CONDITIONS OR IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT ON THE DUE DATE, YOU SHALL, SUBJECT TO APPLICABLE LAWS AND REGULATIONS, REPAY OR CAUSE TO REPAY SUCH AMOUNTS TO US AS SOON AS REASONABLY PRACTICABLE AFTER THE RELEVANT DUE DATE WITHOUT SET-OFF OR OTHERWISE (OTHER THAN FOR ANY CUSTOMARY BANK FEES AND CHARGES) AND ANY SUCH EXCESS AMOUNT RECEIVED BY US SHALL BE REINSTATED TO THE AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER OF THE BONDS AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN EURO AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND CONSISTENT WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE OF THE BONDS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TRANSFERABLE AND THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED, WITH OUR WRITTEN CONSENT, SUCH CONSENT NOT TO BE UNREASONABLY WITHHELD OR DELAYED, IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE BONDS. REQUEST FOR CONSENT TO A PROPOSED TRANSFER SPECIFYING THE NAME AND ADDRESS OF THE INTENDED TRANSFEREE AND THE AMOUNT TO BE TRANSFERRED SHALL BE GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE OF THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE). WE SHALL PROVIDE OUR WRITTEN REPLY WITHIN 15 BUSINESS DAYS OF RECEIPT OF ANY SUCH REQUEST.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT OUR NEW YORK BRANCH IS CLOSED BECAUSE OF A FORCE MAJEURE EVENT DESCRIBED IN ARTICLE 36 OF UCP 600 WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING THE DEMAND IN PERSON AT OUR NEW YORK BRANCH (AS SET OUT ABOVE) FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF OUR NEW YORK BRANCH IS CLOSED ON THE EXPIRY DATE BECAUSE OF A FORCE MAJEURE EVENT DESCRIBED IN ARTICLE 36 OF UCP 600, SUCH PRESENTATION SHALL BE MADE WITHIN THREE BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU AS TRUSTEE OF THE BONDS BY THE ISSUER OF THE BONDS OR ANY OTHER PERSON ON BEHALF OF THE ISSUER OF THE BONDS BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("**UCP 600**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS GOVERNED BY THE LAW OF THE STATE OF NEW YORK. NO THIRD PARTY SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM

OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT. THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK, NEW YORK, THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

APPENDIX A-1

FORM OF DEMAND

TO: AGRICULTURAL BANK OF CHINA LIMITED NEW YORK BRANCH (SWIFT: ABOCUS33)
277 PARK AVENUE, 30TH FLOOR, NEW YORK, NY 10172

ATTN: ZHANG JIAN AND CONG CHEN

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE €200,000,000 1.55 PER CENT. CREDIT ENHANCED BONDS DUE 2018 (THE "BONDS")

THE UNDERSIGNED IS A DULY AUTHORISED OFFICER OF [NAME] WHICH IS HEREBY MAKING A DEMAND ON BEHALF OF [CITICORP INTERNATIONAL LIMITED][1] AS TRUSTEE OF THE BONDS (THE "**BENEFICIARY**") UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE "**IRREVOCABLE STANDBY LETTER OF CREDIT**"). CAPITALISED TERMS USED HEREIN AND NOT DEFINED SHALL HAVE THE MEANING GIVEN IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 [(A) CHINA HUIYUAN JUICE GROUP LIMITED (THE "**ISSUER OF THE BONDS**") HAS FAILED TO COMPLY WITH 3(B) OF THE CONDITIONS IN RELATION TO PRE-FUNDING AN AMOUNT THAT IS PAYABLE UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS IN ACCORDANCE WITH CONDITION 3(B) OF THE CONDITIONS] OR [(B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND IS CONTINUTING AND THE BENEFICIARY, AS TRUSTEE OF THE BONDS, HAS GIVEN NOTICE TO CHINA HUIYUAN JUICE GROUP LIMITED (THE "**ISSUER OF THE BONDS**") THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS] OR [(C) CHINA HUIYUAN JUICE GROUP LIMITED (THE "**ISSUER OF THE BONDS**") HAS FAILED TO PAY THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF DEMAND THEREFOR TO THE ISSUER OF THE BONDS].

2 WE HEREBY DEMAND YOU TO PAY:

(A) [€[AMOUNT] OF INTEREST DUE IN RESPECT OF THE OUTSTANDING BONDS ON [DATE] (THE "**DUE DATE**"), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS;]

OR

(B) [€[AMOUNT] OF PRINCIPAL [(TOGETHER WITH ACCRUED BUT UNPAID INTEREST)] DUE IN RESPECT OF THE OUTSTANDING BONDS ON [DATE] (THE "**DUE DATE**"), WHICH HAS NOT BEEN PRE-FUNDED IN ACCORDANCE WITH THE CONDITIONS;]

OR

(C) [€ [AMOUNT] OF PRINCIPAL DUE IN RESPECT OF THE OUTSTANDING BONDS, TOGETHER WITH ACCRUED INTEREST UP TO THE RELEVANT DATE UNDER THE CONDITIONS ON WHICH THE BONDS CEASE TO BEAR INTEREST, BEING [DATE] (THE "**DUE DATE**"), AS A RESULT OF THE BONDS HAVING BECOME IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS;]

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[1] Name to be updated if the irrevocable Standby Letter of Credit is transferred to an additional or replacement Trustee.

[AND/OR]

(D) [€[AMOUNT] IN RESPECT OF THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS WHICH ARE DUE AND PAYABLE UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED AND/OR THE AGENCY AGREEMENT BUT REMAIN UNPAID SEVEN DAYS AFTER DEMAND THEREFOR HAS BEEN MADE TO THE ISSUER OF THE BONDS.]

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT: [*INSERT ACCOUNT DETAILS*]

CITICOPR INTERNATIONAL LIMITED AS BENEFICIARY

BY:

THE ISSUER

CHINA HUIYUAN JUICE GROUP LIMITED

Registered Office
4/F, Willow House
P.O. Box 2804, Cricket Square
KY1-1112, Grand Cayman
Cayman Islands

Principal place of business in Hong Kong
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The Landmark
15 Queen's Road Central
Hong Kong

TRUSTEE

Citicorp International Limited
39/F Citibank Tower
Citibank Plaza, 3 Garden Road
Central, Hong Kong

PRINCIPAL PAYING AND TRANSFER AGENT

Citibank, N.A., London Branch
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Ireland

REGISTRAR

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To the Trustee as to English Law

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AUDITOR TO ABC

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IRISH LISTING AGENT

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