



中國匯源果汁集團有限公司 China Huiyuan Juice Group Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1886



2015 Interim Report

ABOUT US

China Huiyuan Juice Group Limited (the "Company", together with its subsidiaries, collectively as the "Group" or "Huiyuan Juice" or "Huiyuan"), a leading vertically-integrated fruit and vegetable juice producer in China, is principally engaged in the production and sales of concentrated juice, puree, fruit juice, fruit and vegetable juice, beverage, water and other drinks. For the time being, the Group's 100% juice and nectars are well recognized in the market. According to the research on Chinese consumer packaged goods sector conducted by Nielsen for the first six months of 2015, the Group's 100% juice and nectars enjoyed market shares of 64.8% and 43.3%, respectively, each by sales volume.

As at 30 June 2015, the Group had 40 subsidiaries with 17,988 employees. We continue to improve our sales network across China in three modes of direct-sales, sales offices and distribution, and to further construct sales channels and expand sales point coverage, such that the Group's products of all categories can penetrate through the whole country.

The Directors of the Company believe that "Huiyuan" juice, after years of cultivation and development, is now a household brand in China and is loved and greatly supported by Chinese consumers.



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FINANCIAL HIGHLIGHTS

Comparison of the unaudited consolidated results for the first half of 2015 and the first half of 2014

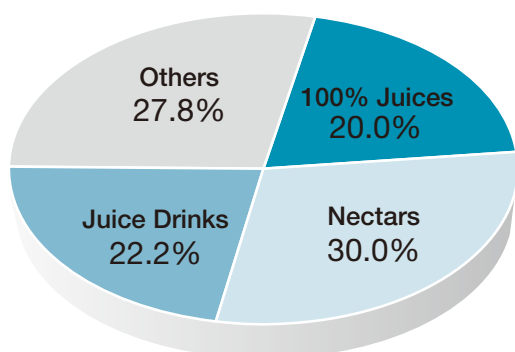
	For the 6 months ended 30 June (RMB'000)	
	2015	2014
Revenue	2,580,913	1,965,908
Cost of sales	1,702,541	1,388,195
Gross profit	878,372	577,713
(Loss)/profit attributable to equity holders of the Company	(97,650)	20,494
Adjusted profit/(loss) attributable to equity holders of the Company (Note 1)	73,222	(159,058)
EBITDA (Note 2)	542,693	327,325
(Loss)/earnings per share (RMB cents) (Note 3)		
— basic	(3.7)	0.8
— diluted	(3.7)	(7.9)

Note 1: The adjusted profit attributable to equity holders of the Company excludes interest expense on the convertible bonds, change in fair value of embedded derivatives of the convertible bonds, exchange gain/(loss) relating to the convertible bonds and amortization on share option and share awards.

Note 2: The calculation of EBITDA is (loss)/profit for the period before income tax expense, finance expenses, finance income, depreciation of property, plant and equipment, amortization of sales distribution network, trademarks and software, amortization of land use rights, unrealised (loss)/gain on change of fair value of embedded derivatives of convertible bonds and loss on early redemption of convertible bonds.

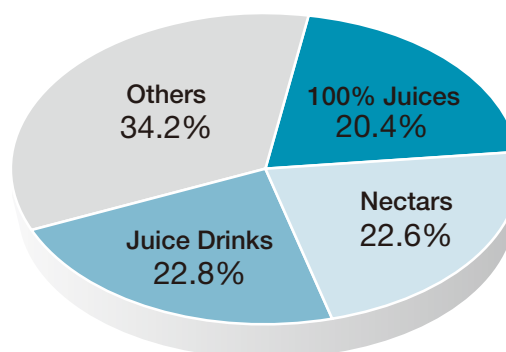
Note 3: Please refer to Note 28 to the Condensed Consolidated Interim Financial Information for the calculation of (loss)/earnings per share.

Revenue by product



2014

For the 6 months ended 30 June



2015

For the 6 months ended 30 June

FINANCIAL HIGHLIGHTS (CONTINUED)

Financial ratio (Based on the unaudited consolidated results for the first half of 2015 and the first half of 2014)

	For the 6 months ended 30 June		
	2015	2014	Change
Return on equity	-0.9%	0.2%	-1.1%
Return on assets	-0.5%	0.1%	-0.6%
Gearing ratio (total debt/total equity) (Note 1)	47.6%	41.7%	5.9%

Operating ratio (Note 2)

	For the 6 months ended 30 June		
	2015	2014	Change
Turnover of finished goods	29 days	19 days	+10 days
Turnover of raw materials	110 days	161 days	-51 days
Turnover of trade receivables	109 days	107 days	+2 days
Turnover of trade payables	161 days	134 days	+27 days

Note 1: The total debt includes total borrowings (including finance lease liabilities) of RMB3,900.1 million as at 30 June 2015 (as at 30 June 2014: RMB3,551.0 million) and convertible bonds of RMB1,026.8 million as at 30 June 2015 (as at 30 June 2014: RMB869.4 million).

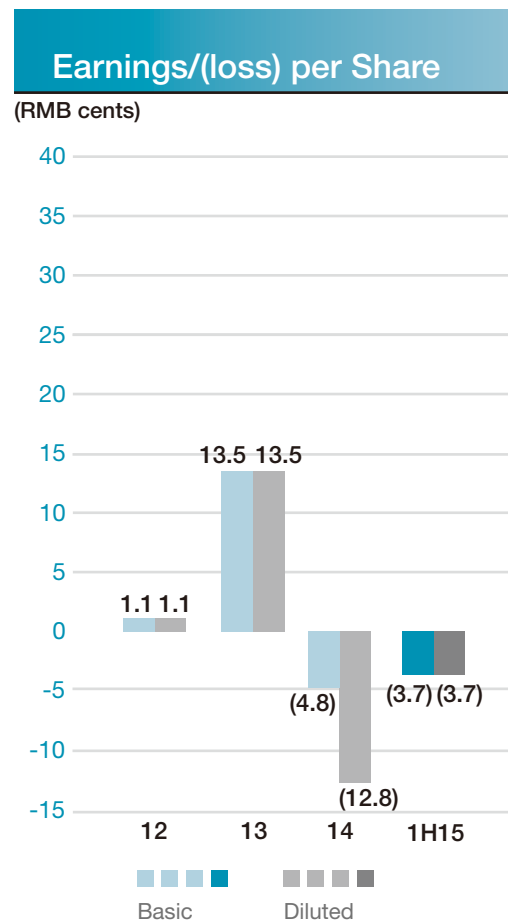
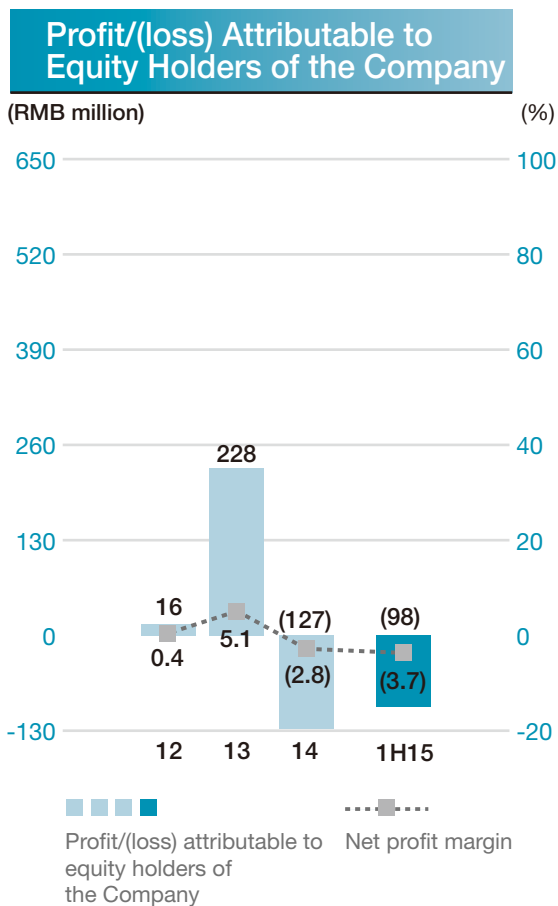
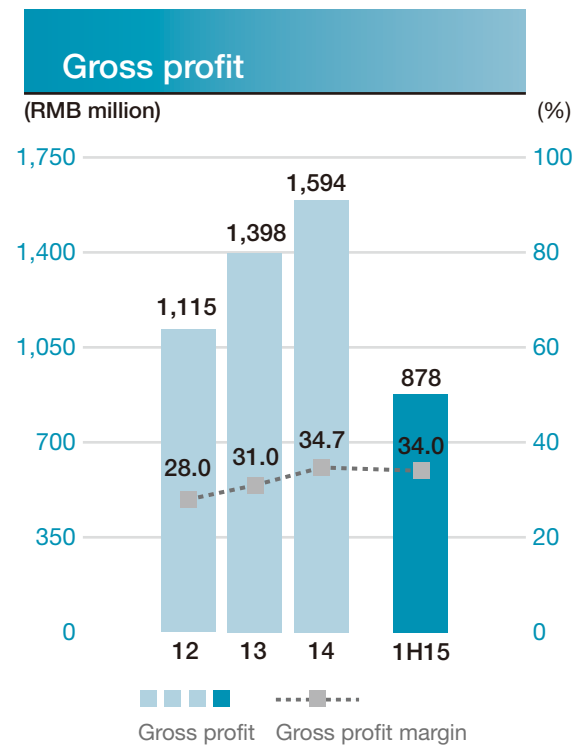
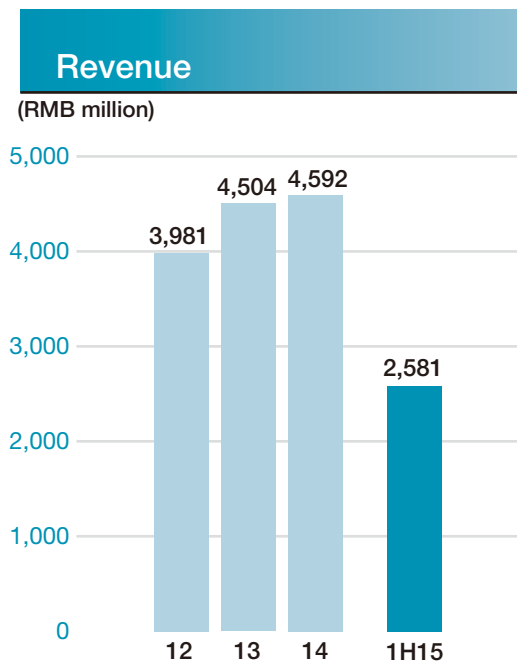
Note 2: The turnover of finished goods as at 30 June is calculated as the average balance of finished goods as at 1 January and 30 June divided by cost of sales for the period multiplied by 182.5 days (365 divided by 2).

The turnover of raw materials as at 30 June is calculated as the average balance of raw materials as at 1 January and 30 June divided by raw materials used for the period multiplied by 182.5 days (365 divided by 2).

The turnover of trade receivables as at 30 June is calculated as the total average balance of trade receivables and bills receivable as at 1 January and 30 June divided by revenue for the period multiplied by 182.5 days (365 divided by 2).

The turnover of trade payables as at 30 June is calculated as the total average balance of trade payables as at 1 January and 30 June divided by cost of sales for the period multiplied by 182.5 days (365 divided by 2).

FINANCIAL HIGHLIGHTS (CONTINUED)



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The current Chinese economy is at the critical stage of transformation and upgrading, the mode of economic growth as well as the economic structure are undergoing profound changes. Overall, the Chinese macroeconomic growth in the first half of 2015 is steady, and the economic structure continues to optimize. In the first half of 2015, China recorded GDP growth of 7.0%. Total retail sales of social consumer goods were RMB14,157.7 billion, with a year-on-year growth of 10.4%. Based on the geographical locations of the operating units, retail sales of urban consumer goods was RMB12,185.0 billion, representing a year-on-year growth of 10.2%, whereas retail sales of rural consumer goods was RMB1,972.7 billion, representing a year-on-year growth of 11.6%. By consumption patterns, income from food and beverage amounted to RMB1,499.6 billion, representing a year-on-year growth of 11.5%, whereas retail sales of commodities amounted to RMB12,658.1 billion, representing a growth of 10.3%. As for nationwide internet retail sales, the amount was RMB1,645.9 billion, representing a growth of 39.1%. As the outcome of the policy of stabilizing growth and reform measures are further confirmed, it is expected that the economic growth rate and the quality of growth in the second half of 2015 will be slightly better than that of the first half of the year.

According to Nielsen, fruit juice industry sales amounted to RMB14.67 billion in the first half of 2015, representing a year-on-year growth of 4%. Of the sales, fruit juice having 0-25% concentration had negative growth, dragging down the overall growth pace of the fruit juice industry; sales for fruit juice having 26-99% concentration had a year-on-year growth of 5%, whereas sales of 100% fruit juice had a year-on-year growth of 16%, which is significantly higher than the growth rate of the industry, indicating consumers' increased demand for high concentration juice, and a healthy concept that continuously upgraded the level of products chosen by consumers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the first half of 2015	Market Share	
	By Volume (%)	By Value (%)
100% Juice		
Huiyuan Juice	64.8	54.7
Second ranked competitor	19.2	24.8
Third ranked competitor	5.0	5.1
Fourth ranked competitor	1.3	1.4
Fifth ranked competitor	1.2	4.5
26%–99% Concentration ^(Note 1)		
Huiyuan Juice ^(Note 2)	43.3	33.6
Second ranked competitor	25.4	20.9
Third ranked competitor	6.8	8.9
Fourth ranked competitor	3.6	5.1
Fifth ranked competitor	2.3	2.0
25% & Below Concentration		
First ranked competitor	33.0	33.1
Second ranked competitor	22.5	21.6
Third ranked competitor	22.0	19.1
Fourth ranked competitor	4.6	4.4
Fifth ranked competitor	3.8	6.3
Huiyuan Juice ^(Note 3)	3.2	3.0

Notes:

- (1) According to Nielsen, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% or below.
- (2) Huiyuan Juice includes “Huiyuan”, “Huiyuan Zhen Juice”, “Kiwi Super Fruits”, “Xi Qing”, “Quan You” and “Guo Xianmei”, the sub-brands of Huiyuan Juice.
- (3) Huiyuan Juice includes “Huiyuan”, “Huiyuan Zhen Juice”, “Lemon Me”, “Xi Qing” and “Kiwi Super Fruits”, the sub-brands of Huiyuan Juice.

“Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packages goods manufacturers and others in the consumer foods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen’s opinion as to the value of any security or the advisability of investing in the company.”

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

Overview

As a leading fruit and vegetable juice producer in China, in the first half of 2015, we have completed the investment in Suntory with respect to the businesses of tea drinks, coffee and other kinds of drinks, and the strategic cooperation between us has entered into a new phase of development. Secondly, the new “sales offices” added to the sales system of the Company last year, in addition to the distributors and direct-sales categories has seen stable development, and has become the driving force for growth of sales performance.

In the six months ended 30 June 2015, the Group recorded sales of RMB2,580.9 million, an increase of 31.3% from RMB1,965.9 million for the six months ended 30 June 2014. Loss attributable to equity holders of the Company was RMB97.7 million as compared to a profit of RMB20.5 million for the corresponding period in 2014.

In the first half of 2015, the Group maintained its market leading position in the juice and juice beverage industry. Sales volume of 100% juice increased from 57.7% to 64.8% as compared to the corresponding period last year, signifying that the Group continues to advance its competitive edge.

FINANCIAL REVIEW

Overview

In the six months ended 30 June 2015, the Group recorded revenue of RMB2,580.9 million, an increase of 31.3% from RMB1,965.9 million for the six months ended 30 June 2014. Loss attributable to the equity holders of the Company was RMB97.7 million as compared to a profit of RMB20.5 million for the corresponding period in 2014.

Revenue

Revenue of the Group’s products, comprising 100% fruit juice, nectars, juice drinks and other beverage products increased by 31.3% from RMB1,965.9 million in the first half of 2014 to RMB2,580.9 million in the first half of 2015.

Revenue of 100% fruit juice, which accounted for 20.4% of the Group’s total revenue, increased by 33.6% from RMB393.7 million in the first half of 2014 to RMB525.8 million in the first half of 2015 due to an increase in sales volume of products in large sized packaging products.

Revenue of nectars decreased by 1.2% from RMB589.3 million in the first half of 2014 to RMB582.2 million in the first half of 2015. Revenue of nectars accounted for 22.6% of total revenue for the first half of 2015. Sales volume for the period decreased by 0.3% as compared to the corresponding period last year while average selling price decreased by 0.9%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue of juice drinks, which accounted for 22.8% of the Group's total revenue, increased by 35.0% from RMB435.4 million in the first half of 2014 to RMB587.8 million in the first half of 2015. The increase in revenue was due to a 27.5% increase in sales volume and a 5.9% increase in average selling price.

The revenue of other beverage products increased by 61.7% from RMB547.4 million in the first half of 2014 to RMB885.1 million in the first half of 2015. The increase in revenue was due to the sales volume growth of bottled water and Suntory products.

Cost of Sales

Cost of sales increased by 22.6% from RMB1,388.2 million for the six months ended 30 June 2014 to RMB1,702.5 million for the six months ended 30 June 2015. The increase in cost of sales is primarily a result of the increase in sales volume of juice products during the period.

Gross Profit

Gross profit increased by 52.0% from RM577.7 million for the six months ended 30 June 2014 to RMB878.4 million for the six months ended 30 June 2015. Gross profit margin increased 4.6 percentage points from 29.4% for the six months ended 30 June 2014 to 34.0% for the corresponding period in 2015. Gross profit margin increased primarily because of diluted depreciation resulting from the increase in sales and the increased proportion of high-margin products.

Other Income

Other income increased by 98.7% from RMB57.2 million for the six months ended 30 June 2014 to RMB113.6 million for the corresponding period in 2015. Other income consists primarily of income from the sales of raw materials and scrap and government subsidy income.

Other Gains

The Group recorded a net gain of RMB302.7 million for the six months ended 30 June 2015, which was the gain on the disposal of equity interests in nine subsidiaries of the Group.

Selling and Marketing Expenses

Selling and marketing expenses increased by 66.7% from RMB504.6 million for the six months ended 30 June 2014 to RMB841.1 million for the corresponding period in 2015, due to an increase in employee benefit expense and marketing and advertising expenses.

Administrative Expenses

Administrative expenses decreased by 16.3% from RMB242.0 million for the six months ended 30 June 2014 to RMB202.5 million for the corresponding period in 2015. Administrative expenses as a percentage of revenue have decreased from 12.3% for the six months ended 30 June 2014 to 7.8% for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Income/Expenses

The Group recorded finance expenses of RMB162.7 million for the six months ended 30 June 2015 as compared to RMB195.1 million for the corresponding period in 2014.

Unrealized Gain on Change of Fair Value of Embedded Derivatives of Convertible Bonds

On 31 March 2014, the Group issued convertible bonds due on 30 April 2019 to Temasek Holdings (Private) Limited in an amount of US\$150 million (the “2019 Convertible Bonds”); and regarding the US\$150,000,000 convertible bonds due 29 April 2016 issued by the Company on 29 April 2011 (the “2016 Convertible Bonds”), unrealized loss from the change of fair value of embedded derivatives was RMB110.9 million for the first six months of 2015, as compared to the unrealized gain from the change of fair value of embedded derivatives of RMB268.0 million for the corresponding period in 2014. If the share price and earnings of the Company change significantly in future, the fair value of the derivative component of the above convertible bonds may also fluctuate significantly.

Income Tax Expenses

In the first half of 2015, the Company recorded an income tax expense of RMB95.4 million compared to an income tax expense of RMB38.6 million for the corresponding period in 2014. The increase in income tax expense was mainly due to the income tax for the gain on disposal of nine subsidiaries of the Group.

Loss/Profit Attributable to Equity Holders of the Company

The Group recorded a loss attributable to equity holders of the Company of RMB97.7 million for the six months ended 30 June 2015 as compared with a profit of RMB20.5 million for the corresponding period in 2014. The adjusted profit attributable to equity holders of the Company for the six months ended 30 June 2015 was RMB73.2 million compared to a loss of RMB159.1 million for the corresponding period in 2014.

Liquidity and Capital Resources

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

As at 30 June 2015, the Group had an aggregate of RMB3,900.1 million in outstanding borrowings (including finance lease liabilities) and RMB1,026.8 million in outstanding convertible bonds as compared to RMB3,458.4 million in outstanding bank borrowings and RMB860.4 million in outstanding convertible bonds as at 31 December 2014. The gearing ratio calculated by dividing total debt (including the convertible bonds) over total equity attributable to equity holders of the Company was 47.6% as at 30 June 2015, representing an increase of 6.3 percentage points as compared to 41.3% as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's borrowings primarily include bank borrowings and convertible bonds. As at 30 June 2015, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank borrowings	2,501.0	1,298.6	3,799.6
Finance lease liabilities	10.0	90.5	100.5
Convertible bonds	201.4	825.4	1,026.8
Total	2,712.4	2,214.5	4,926.9
Analysed as:			
Unsecured	2,712.4	2,214.5	4,926.9

Note: As of 30 June 2015, the outstanding 2016 Convertible Bonds have been reclassified as current liabilities due to the option of the holders to redeem on 29 April 2016.

Operating activities

Net cash generated from operating activities was RMB62.4 million in the first six months of 2015. The Group's loss before tax for the corresponding period was RMB0.8 million. The difference of RMB63.2 million was primarily due to depreciation of property, plant and equipment for the period of RMB261.3 million, a RMB279.5 million increase in inventory, and a RMB279.5 million increase in trade and other receivables and a RMB557.4 million increase in trade and other payables.

Investing activities

Net cash used in investing activities for the first six months of 2015 was RMB248.6 million as compared to net cash generated from investing activities of RMB208.7 million for the corresponding period in 2014. The net cash outflows for the first six months ended 30 June 2015 are mainly due to the purchase of property, plant and equipment of RMB450.4 million and the increase in restricted cash and short-term bank deposits of RMB402.0 million, which was partially offset by the proceeds from the disposal of the equity interests in nine subsidiaries of RMB487.6 million and the decrease in available-for-sale financial assets of RMB133.0 million.

Financing activities

Net cash generated from financing activities for the first six months of 2015 was RMB388.3 million, as compared to cash used in financing activities of negative RMB23.0 million for the corresponding period in 2014.

Capital Expenditure

Capital expenditures primarily comprised purchases of property, plant and equipment, and land use rights. The Group's total capital expenditures during the first half of 2015 increased significantly compared to the corresponding period in 2014. During the first half of 2015, the Group spent RMB450.4 million on the purchase of property, plant and equipment and RMB24.0 million on the purchase of land use rights.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2015, the Group had capital commitments of RMB99.4 million for the purchase of property, plant and equipment.

The Group plans to finance its capital expenditure requirements in the second half of 2015 primarily with cash generated from its operations and bank borrowings.

Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates and purees, sugars) and finished goods (including juice and other beverage products). Raw materials make up the majority of the Group's inventory. Turnover days for raw materials decreased from 161 days as at 30 June 2014 to 110 days as at 30 June 2015, and turnover days for finished goods increased from 19 days as at 30 June 2014 to 29 days as at 30 June 2015.

Turnover days for trade receivables increased to 109 days as at 30 June 2015 from 107 days as at June 30 2014.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material outstanding contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2015, the Group had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 30 June 2015, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 30 June 2015, the Group has entered into certain finance lease arrangements on property, plant and equipment with a third party. As at 30 June 2015, the Group had finance lease liabilities with present value of RMB100.5 million and discounted contractual amount of RMB116.4 million, respectively.

MARKET RISKS

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

Cash Flow and Fair Value Interest Rate Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, the convertible bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in the first half of 2015 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2015, if the RMB weakened/strengthened by 5% against the USD with all other variables remaining unchanged, the Group's profit after tax for the six months ended 30 June 2015 would have decreased/increased by RMB119,541,000 (30 June 2014: RMB99,678,000), mainly due to the foreign exchange losses/gains on translation of USD denominated convertible bonds and bank borrowings.

EMPLOYEES AND WELFARE CONTRIBUTION

As at 30 June 2015, the Group had 17,988 employees (31 December 2014: 17,736 employees). The emolument policy of the employees of the Group is determined by the Board on the basis of merit, qualifications and competence.

The emoluments payable to the Directors are subject to their respective terms of engagement approved by the Remuneration and Nomination Committee of the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has also adopted the share option schemes as incentive for the Directors and eligible employees.

FUTURE PROSPECTS

With the stable growth of domestic economy in China and more effects attributable to reform measures coming out, the Company expects that the domestic economy will continue to grow steadily while consumer products market will upgrade. Optimistic sentiment can be anticipated in the development of the juice drinks market, especially about 100% juice products.

In the second half of 2015, the Company will continue to focus on the core operating business to maintain its dominant position in markets of both 100% juice and nectars. Based on the marketing system by internet, the Company will leverage terminal services function of sales offices to the maximum effect, and build up cooperation among multiple channels. The Company will commit to profit-earning and optimize its debt structure with the aim to creating greater rewards to the shareholders of the Company as a whole.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the condensed consolidated interim results of the Group for the six months ended 30 June 2015.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2015.

Financial Management and Audit Committee

The Financial Management and Audit Committee of the Company was established on 21 September 2006. The Board has adopted its terms of reference in compliance with the Code on Corporate Governance Practice (the "Old Code") contained in the then Appendix 14 of the Hong Kong Listing Rules since its listing on the Hong Kong Stock Exchange in 2007, and revised terms of reference in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Hong Kong Listing Rules (the "New Code", together with the Old Code, the "Governance Code"). As at 30 June 2015, the Financial Management and Audit Committee consisted of three members, namely Mr. Leung Man Kit (chairman), Mr. Song Quanhou and Mr. Zhao Chen, all of whom are independent non-executive Directors.

The Financial Management and Audit Committee of the Company has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2015 together with the management of the Company and its external auditor.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2015 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention which indicates that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

DIRECTORS' REPORT (CONTINUED)

Banking facilities and other borrowings

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

- On 11 June 2012, the Company entered into an agreement (the “2012 First Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US\$100,000,000, with the final maturity date on 15 June 2015. This outstanding amount was fully repaid on its maturity date.
- On 29 August 2012, the Company entered into an agreement (the “2012 Second Facility Agreement”) with another bank relating to a three-year term loan facility in an aggregate principal amount of US\$93,000,000.
- On 1 April 2014, the Company entered into a facility agreement (the “2014 First Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US\$140,000,000 with a term of three years. This outstanding amount was fully repaid on 30 June 2015.
- On 25 June 2014, the Company as borrower entered into a facility agreement (the “2014 Second Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US\$20,000,000 with a term of three years. This outstanding amount was fully repaid on 27 February 2015.
- On 30 December 2014, the Company as borrower entered into a facility agreement (the “2014 Third Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US\$48,000,000 with a term of two years.
- On 26 June 2015, the Company as borrower entered into a facility letter (the “2015 Facility Letter”, together with the 2012 First Facility Agreement, the 2012 Second Facility Agreement, the 2014 First Facility Agreement, the 2014 Second Facility Agreement and the 2014 Third Facility Agreement, the “Bank Facility Agreements”) with a bank relating to a term loan facility in an aggregate principal amount of US\$95,000,000 with a term of one year.

As each of the Bank Facility Agreements contains a condition imposing specific performance obligations on the controlling shareholder of the Company, and breach of such obligation will cause a default under the relevant facility agreement, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Hong Kong Listing Rules on 11 June 2012, 29 August 2012, 1 April 2014, 25 June 2014, 31 December 2014 and 29 June 2015, respectively. For details of such obligations, please refer to the aforesaid announcements.

As at 30 June 2015, the outstanding amount owed by the Company under the 2012 Second Facility Agreement, the 2014 Third Facility Agreement and the 2015 Facility Letter, was US\$93,000,000, US\$48,000,000 and US\$95,000,000, respectively.

DIRECTORS' REPORT (CONTINUED)

Further details of the bank facilities and borrowings of the Company as at 30 June 2015 are set out in note 19 to the unaudited condensed consolidated interim financial information.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), were as follows:

Long positions in the ordinary shares of the Company as at 30 June 2015

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's issued shares
Zhu Xinli	–	–	1,612,016,108 ^(a)	–	1,612,016,108 ^(a)	63.66%
Andrew Y. Yan	–	–	224,997,501 ^(b)	–	224,997,501 ^(b)	8.89%
	150,000 ^(c)	–	–	–	150,000 ^(c)	0.01%
Leung Man Kit	150,000 ^(c)	–	–	–	150,000 ^(c)	0.01%
Song Quanhou	150,000 ^(c)	–	–	–	150,000 ^(c)	0.01%
Zhao Chen	150,000 ^(c)	–	–	–	150,000 ^(c)	0.01%
Zhao Yali	150,000 ^(c)	–	–	–	150,000 ^(c)	0.01%

Long positions in the Convertible Preference Shares of the Company as at 30 June 2015

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's total issued share capital
Zhu Xinli	–	–	125,326,877 ^(a)	–	125,326,877 ^(a)	4.72%

Notes:

- (a) These shares were beneficially owned by China Huiyuan Holdings, which is indirectly wholly-owned by Mr. Zhu Xinli through Huiyuan Holdings. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the shares held by China Huiyuan Holdings. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively. As at the date of this report, Mr. Zhu Xinli was interested in an aggregate of 1,612,016,108 ordinary shares and an aggregate of 125,326,877 Convertible Preference Shares of the Company.
- (b) These shares were beneficially owned by Sino Fountain Limited, which is indirectly wholly-owned by SAIF III GP Capital Ltd, through its indirect wholly-owned shareholding of SAIF III GP, L.P. SAIF III GP Capital Ltd. is indirectly wholly-owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by Sino Fountain Limited.
- (c) Mr. Andrew Y. Yan, Mr. Leung Man Kit, Mr. Song Quanhou, Mr. Zhao Chen and Ms. Zhao Yali hold share options in respect of these shares.

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors Rights to Acquire Shares

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the six months ended 30 June 2015 was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

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

1. Pre-IPO Share Option Scheme

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

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

2. Share Option Scheme

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

DIRECTORS' REPORT (CONTINUED)

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 138,749,750 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Hong Kong Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007. The relevant grantees may exercise his/her option in accordance with vesting schedules determined by the Board.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2015 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 2015	Number of underlying shares comprised in the options granted during the period	Number of underlying shares comprised in the options lapsed during the period	Number of underlying shares comprised in the options exercised during the period	Number of underlying shares comprised in the options outstanding as at 30 June 2015
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	12,752,792	–	(595,792)	–	12,157,000
Andrew Y. Yan	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Leung Man Kit	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Song Quanhou	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Zhao Yali	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Zhao Chen	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	17,930,000	–	(1,950,000)	–	15,980,000
				31,432,792	–	(2,545,792)	–	28,887,000

DIRECTORS' REPORT (CONTINUED)

Share Award Schemes

The Company has adopted the Employee Share Award Scheme and the CEO & Directors Share Award Scheme (together the "Share Award Schemes") for the purposes of (a) recognizing the contributions by certain eligible persons and incentivizing them for the continuing operation and development of the Group and (b) attracting suitable personnel for further development of the Group.

Pursuant to the Share Award Schemes, shares will be acquired by an independent trustee at the cost of the Company or shares will be allotted to the independent trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time and be held in trust for the awarded persons until the end of each vesting period.

It is intended that awarded shares under the Share Award Schemes will be offered to the employee (whether full time or part time) of the Company or any member of the Group, or any director (including, without limitation, any executive, non-executive or independent non-executive directors) or any consultant or consulting firm engaged by any member of the Group to take up for no consideration but subject to certain conditions (including but not limited to, vesting schedule) to be determined by the Board at the time of grant of the awarded shares under the Share Award Schemes.

The maximum number of ordinary shares that may be awarded by the Board pursuant to the CEO & Directors Share Award Scheme and the Employee 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 (the "Effective Date"), being 10,042,293 Shares.

Unless terminated earlier by the Board in accordance with the terms of the Share Award Schemes, the schemes operate for 10 years starting on the Effective Date. No contribution to the trusts will be made by the Company on or after the 10th anniversary of the Effective Date. The Share Award Schemes are operated in parallel with the Company's Share Option Scheme adopted on 30 January 2007.

During the six months ended 30 June 2015, no awarded share was granted respectively under the CEO & Directors Share Award Scheme and the Employee Share Award Scheme.

DIRECTORS' REPORT (CONTINUED)

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

As at 30 June 2015, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions/short positions in the ordinary shares of the Company as at 30 June 2015

Name	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli	1,612,016,108 ^(a) (L)	63.66%
Huiyuan Holdings	1,612,016,108 ^(a) (L)	63.66%
China Huiyuan Holdings	1,612,016,108 ^(a) (L)	63.66%
Entie Commercial Bank	337,497,501(L)	13.33%
Sino Fountain Limited	224,997,501 ^(b) (L)	8.89%
SAIF III GP Capital Ltd.	224,997,501 ^(b) (L)	8.89%
Mr. Andrew Y. Yan	224,997,501 ^(b) (L)	8.89%
Temasek Holdings (Private) Limited	219,781,132(L)	8.68%
	219,781,132(S)	8.68%
China Orient Assets Management Corporation	1,001,864,000(L)	39.56%
Ms. Huang Qiongzi	200,000,000 ^(c) (L)	7.90%
Mr. Lu Zhiqiang	200,000,000 ^(c) (L)	7.90%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	200,000,000 ^(d) (L)	7.90%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	200,000,000 ^(e) (L)	7.90%
China Oceanwide Holdings Group Co.,Ltd.* (中國泛海控股集團有限公司)	200,000,000 ^(f) (L)	7.90%
Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司)	200,000,000 ^(g) (L)	7.90%
China Oceanwide Group Limited (中泛集團有限公司) (formerly known as Oceanwide Holdings (Hong Kong) Co., Limited (泛海控股(香港)有限公司))	200,000,000 ^(h) (L)	7.90%
Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司)	200,000,000 ⁽ⁱ⁾ (L)	7.90%
China Oceanwide Holdings Limited (中泛控股有限公司)	200,000,000 ^(h) (L)	7.90%
China Oceanwide International Asset Management Limited (中泛國際資產管理有限公司)	200,000,000 ⁽ⁱ⁾ (L)	7.90%

DIRECTORS' REPORT (CONTINUED)

Long positions in the Convertible Preference Shares of the Company as at 30 June 2015

Name	Number of shares	Percentage of the Company's total issued share capital
Mr. Zhu Xinli	125,623,877 ^(a)	4.72%

Notes:

- (a) Huiyuan Holdings is wholly-owned by Mr. Zhu Xinli and China Huiyuan Holdings is a wholly-owned subsidiary of Huiyuan Holdings. Each of Mr. Zhu Xinli and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively.
- (b) Sino Fountain Limited is indirectly wholly-owned by SAIF III GP Capital Ltd. through its indirect wholly-owned shareholding of SAIF III GP, L.P. SAIF III GP Capital Ltd is indirectly wholly-owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by Sino Fountain Limited.
- (c) Mr. Lu Zhiqiang and Ms. Huang Qiongzi (spouse of Mr. Lu Zhiqiang) together hold more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. Lu Zhiqiang and Ms. Huang Qiongzi are deemed to be interested in all the shares of the Company held by Tohigh Holdings Co., Ltd.* (通海控股有限公司).
- (d) Tohigh Holdings Co., Ltd.* (通海控股有限公司) holds the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the shares of the Company held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).
- (e) Oceanwide Group Co., Ltd.* (泛海集團有限公司) holds 97.44% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the shares of the Company held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).
- (f) China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly holds 76.39% interest in the issued share capital of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司). By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the shares of the Company held by Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司).
- (g) Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司) is a wholly-owned subsidiary of China Oceanwide Group Limited (中泛集團有限公司) (formerly known as Oceanwide Holdings (Hong Kong) Co., Limited (泛海控股(香港)有限公司)), which in turn is a wholly-owned subsidiary of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司). By virtue of the SFO, China Oceanwide Group Limited (中泛集團有限公司) and Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) are deemed to be interested in all the shares of the Company held by Oceanwide Holdings International Co., Ltd.
- (h) Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司) holds 71.58% interest in the issued share capital of China Oceanwide Holdings Limited (中泛控股有限公司). By virtue of the SFO, Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司) is deemed to be interested in all the shares of the Company held by China Oceanwide Holdings Limited (中泛控股有限公司).
- (i) China Oceanwide International Asset Management Limited (中泛國際資產管理有限公司) is a wholly-owned subsidiary of China Oceanwide Holdings Limited (中泛控股有限公司). By virtue of the SFO, China Oceanwide Holdings Limited (中泛控股有限公司) is deemed to be interested in the 200,000,000 shares of the Company held by China Oceanwide International Asset Management Limited (中泛國際資產管理有限公司).

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any persons who have an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' REPORT (CONTINUED)

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Employment and Emolument Policies

As at 30 June 2015, the Group had 17,988 employees (31 December 2014: 17,736 employees). The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence.

The emoluments payable to the Directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director should determine his or her own remuneration.

The Company has also adopted the Pre-IPO Share Option Scheme, the Share Option Scheme, the CEO & Directors Share Award Scheme and the Employee Share Award Scheme as incentives for the Directors and eligible employees.

Changes to Information in respect of Directors

During the six months ended 30 June 2015, there was no changes to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

Corporate Governance Code

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

The Company has adopted the code provisions set out in Appendix 14 of the Hong Kong Listing Rules and has, since 1 April 2012, adopted the revised code provisions contained therein (the "Code Provisions") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve a high standard of corporate governance practices. The Company has complied with all Code Provisions for the six months ended 30 June 2015.

DIRECTORS' REPORT (CONTINUED)

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, they have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

On behalf of the Board

Zhu Xinli

Chairman

Beijing, 24 August 2015

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	6,213,818	6,730,941
Intangible assets	8	4,172,911	4,200,920
Land use rights	9	960,799	1,099,054
Deferred income tax assets		145,762	142,700
Investments accounted for using the equity method	10	15,133	10,515
Long-term receivable		1,102	1,128
Long-term prepayments	11	134,597	142,615
Total non-current assets		11,644,122	12,327,873
Current assets			
Inventories	12	1,503,666	1,211,233
Trade and other receivables	13	3,671,381	2,182,987
Available-for-sale financial assets	14	132,025	265,423
Restricted cash and short-term bank deposits	15	854,922	452,882
Cash and cash equivalents	15	895,812	694,373
Total current assets		7,057,806	4,806,898
Total assets		18,701,928	17,134,771
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	180	180
Share premium	16	8,303,542	8,303,542
Convertible preference shares	16	541,474	541,474
Other reserves		297,845	297,814
Retained earnings		1,217,369	1,315,019
— Proposed final dividends	29	—	—
— Others		1,217,369	1,315,019
		10,360,410	10,458,029
Non-controlling interests in equity		143,110	141,691
Total equity		10,503,520	10,599,720

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2015

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	54,885	57,140
Borrowings	19	1,389,085	327,782
Deferred government grants		33,160	62,202
Deferred income tax liabilities		9,066	9,247
Convertible bonds	20	825,384	860,382
Total non-current liabilities		2,311,580	1,316,753
Current liabilities			
Trade and other payables	18	3,030,440	2,020,112
Convertible bonds	20	201,439	—
Taxation payable		139,035	56,910
Deferred revenue		4,875	10,609
Borrowings	19	2,511,039	3,130,667
Total current liabilities		5,886,828	5,218,298
Total liabilities		8,198,408	6,535,051
Total equity and liabilities		18,701,928	17,134,771
Net current assets/(liabilities)		1,170,978	(411,400)
Total assets less current liabilities		12,815,100	11,916,473

The Notes on pages 29 to 66 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For six months ended 30 June 2015

	Note	Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Revenue	6	2,580,913	1,965,908
Cost of sales	23	(1,702,541)	(1,388,195)
Gross profit		878,372	577,713
Other income — net	21	113,586	57,161
Other gains — net	22,32	302,699	151,004
Selling and marketing expenses	23	(841,093)	(504,602)
Administrative expenses	23	(202,495)	(242,019)
Finance expenses	25	(162,669)	(195,060)
Finance income	26	17,008	14,711
Unrealised (loss)/gain on change of fair value of embedded derivatives of convertible bonds	20	(110,861)	268,044
Loss on early redemption of convertible bonds		—	(65,776)
Share of profit/(loss) of investments accounted for using the equity method	10	4,618	(2,144)
(Loss)/profit before income tax		(835)	59,032
Income tax expense	27	(95,396)	(38,562)
(Loss)/profit for the period		(96,231)	20,470
(Loss)/profit attributable to:			
— Equity holders of the Company		(97,650)	20,494
— Non-controlling interests		1,419	(24)
		(96,231)	20,470
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets		(398)	—
Total comprehensive (loss)/income for the period		(96,629)	20,470
Total comprehensive (loss)/income attributable to:			
— Equity holders of the Company		(98,048)	20,494
— Non-controlling interests		1,419	(24)
		(96,629)	20,470

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB Cents	RMB Cents
		per share	per share
(Loss)/earnings per share for (loss)/profit attributable to the ordinary shareholders of the Company during the period (expressed in RMB cents per share)			
	28		
– basic		(3.7)	0.8
– diluted		(3.7)	(7.9)
(Loss)/earnings per share for (loss)/profit attributable to the preference shares holders of the Company during the period (expressed in RMB cents per share)			
	28		
– basic		(3.7)	0.8
– diluted		(3.7)	(7.9)

The Notes on pages 29 to 66 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2015

	Note	Unaudited Attributable to the equity holders of the Company					Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Convertible preference shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
Balance at 1 January 2015		180	8,303,542	541,474	297,814	1,315,019	10,458,029	141,691	10,599,720
Comprehensive income									
(Loss)/profit for the period		–	–	–	–	(97,650)	(97,650)	1,419	(96,231)
Other comprehensive income		–	–	–	(398)	–	(398)	–	(398)
Total comprehensive (loss)/income		–	–	–	(398)	(97,650)	(98,048)	1,419	(96,629)
Transactions with owners in their capacity as owners									
Share-based compensation	24	–	–	–	429	–	429	–	429
Total transactions with owners		–	–	–	429	–	429	–	429
Balance at 30 June 2015		180	8,303,542	541,474	297,845	1,217,369	10,360,410	143,110	10,503,520
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									
Profit/(loss) for the period		–	–	–	–	20,494	20,494	(24)	20,470
Total comprehensive income/(loss)		–	–	–	–	20,494	20,494	(24)	20,470
Transactions with owners in their capacity as owners									
Share-based compensation	24	–	–	–	13,612	–	13,612	–	13,612
Total transactions with owners		–	–	–	13,612	–	13,612	–	13,612
Balance at 30 June 2014		147	6,006,880	2,831,338	288,918	1,483,369	10,610,652	147,942	10,758,594

The Notes on pages 29 to 66 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations		204,151	234,058
Interest paid		(137,204)	(119,692)
Interest received		11,949	14,711
Income tax paid		(16,544)	(76,803)
Cash flows from operating activities – net		62,352	52,274
Cash flows from investing activities			
Purchases of property, plant and equipment		(450,359)	(124,589)
Proceeds from disposal of property, plant and equipment		7,226	3,772
Purchases of land use rights		(24,039)	(36,212)
Proceeds from disposal of subsidiaries, net of cash disposed	32	487,632	197,977
(Increase)/decrease in restricted cash and short-term bank deposits		(402,040)	170,165
Decrease in available-for-sale financial assets		133,000	—
Investment in an associate		—	(2,445)
Cash flows from investing activities – net		(248,580)	208,668
Cash flows from financing activities			
Prepaid investment from non-controlling interests of subsidiaries		—	66,974
Proceeds from banks borrowings		2,338,440	2,234,705
Proceeds from issuance of convertible bonds		—	922,815
Redemption of convertible bonds		—	(745,739)
Repayments of borrowings from banks and other financial institution		(1,950,132)	(2,501,736)
Cash flows from financing activities – net		388,308	(22,981)
Exchange (losses)/gains on cash and cash equivalents		(641)	150
Net increase in cash and cash equivalents		201,439	238,111
Cash and cash equivalents at the beginning of the period	15	694,373	937,421
Cash and cash equivalents at end of the period	15	895,812	1,175,532

The Notes on pages 29 to 66 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For six months ended 30 June 2015

1 General information

China Huiyuan Juice Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the manufacturing and sales of juice beverages in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 23 February 2007.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was authorised for issue by the Board of Directors of the Company on 24 August 2015.

This condensed consolidated interim financial information has been reviewed, not audited.

Key events

On 18 June 2015, the Group entered into an equity transfer agreement with Beijing Founder Fubon Crown Asset Management Co. Ltd. (“Founder Fubon”), pursuant to which the Group agreed to sell and transfer the entire equity interests in Jilin Huiyuan Food & Beverage Co., Ltd., Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd., Jiangxi Huiyuan Food & Beverage Co., Ltd., Jinzhou Huiyuan Food & Beverage Co., Ltd., Shandong Huiyuan Food & Beverage Co., Ltd., Shandong Shengshuiyu Mineral Water Co., Ltd., Shandong Xinming Huiyuan Food & Beverage Co., Ltd., Shanxi Huiyuan Food & Beverage Co., Ltd. and Zhaodong Huiyuan Food & Beverage Co., Ltd. (collectively, the “Disposed Entities”, all of which are wholly-owned subsidiaries of the Company) to Founder Fubon for a total consideration of RMB1,812,000,000. Further details are given in Note 32.

On 7 July 2015, the Company completed the issuance of credit enhanced bonds in an aggregate principal amount of EUR200,000,000. Further details are given in Note 34.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2014.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk.

(a) Foreign exchange risk

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from bank deposits, convertible bonds and bank borrowings denominated in USD. The Group did not use forward contract/derivative instruments in the first half year of 2015 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2015, if the RMB weakened/strengthened by 5% against the USD with all other variables remaining unchanged, the Group's post-tax loss for the six months ended 30 June 2015 would have increased/decreased by RMB119,541,000 (30 June 2014: RMB99,678,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated convertible bonds and bank borrowings.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing (including or excluding convertible bonds) divided by equity attributable to equity holders of the Company.

As at 30 June 2015, the gearing ratio was 47.6% (including convertible bonds in the debt portion) (31 December 2014: 41.3%), and 37.6% (excluding convertible bonds in the debt portion) (31 December 2014: 33.1%), respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

(b) Capital risk management (Continued)

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no changes in the risk management policies since 2014 year end.

5.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	—	—	132,025	132,025
Liabilities				
Embedded derivatives of 2016 Convertible bonds	—	—	5,822	5,822
Embedded derivatives of 2019 Convertible bonds	—	—	116,424	116,424
	—	—	122,246	122,246

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

The fair values of embedded derivatives of the 2016 Convertible Bonds and the 2019 Convertible Bonds were valued by estimating the fair values of the whole bonds with and without the embedded derivatives. Refer to Note 20 for details of convertible bonds and significant unobservable inputs.

The market price of the Company's share was HK\$4.25 as at 30 June 2015, if the market price of the Company's share had been HK\$1 higher/lower than that at 30 June 2015, the fair value of the embedded derivatives of the 2016 Convertible Bonds would have increased/decreased by RMB2,932,000 and RMB2,415,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2015, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB148,000 and RMB150,000, respectively. If the volatility rate had been 2% higher/lower than management's estimates at 30 June 2015, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB208,000 and RMB451,000, respectively.

If the market price of the Company's share had been HK\$1 higher/lower than that at 30 June 2015, the fair value of the embedded derivatives of the 2019 Convertible Bonds would have increased/decreased by RMB153,168,000 and RMB74,990,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2015, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB12,867,000 and RMB18,919,000, respectively. If the volatility rate had been 2% higher/lower than management's estimates at 30 June 2015, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB11,107,000 and RMB1,288,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

6 Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess revenue from a product perspective while profit for the year/period is assessed on a consolidated basis. 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 reportable 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 revenue. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of the revenue by product category is as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
100% juice products	525,830	393,710
Nectars	582,168	589,345
Juice drinks	587,828	435,406
Water and other beverage products	885,087	547,447
	2,580,913	1,965,908

The Group made barter sales of approximately RMB15,299,000 during the six months ended 30 June 2015 in exchange for property, plant and equipment (motor vehicles and office equipment) and advertising services (corresponding period in 2014: RMB22,438,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

7 Property, plant and equipment

	Unaudited RMB'000
Six months ended 30 June 2015	
Opening net book amount as at 1 January 2015	6,730,941
Additions	648,829
Disposals	(7,480)
Disposal of subsidiaries (Note 32)	(897,124)
Depreciation charge (Note 23)	(261,348)
Closing net book amount as at 30 June 2015	6,213,818
Six months ended 30 June 2014	
Opening net book amount as at 1 January 2014	6,968,560
Additions	212,146
Disposals	(41,335)
Disposal of a subsidiary	(107,119)
Depreciation charge (Note 23)	(263,966)
Closing net book amount as at 30 June 2014	6,768,286

There was no property, plant and equipment pledged as security for borrowings as at 30 June 2015 (31 December 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

8 Intangible assets

	Unaudited				
	Sales distribution network	Goodwill	Trademarks	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount					
as at 1 January 2015	146,499	3,941,580	111,689	1,152	4,200,920
Disposal of subsidiaries (Note 32)	—	(14,449)	—	—	(14,449)
Amortisation (a) (Note 23)	(10,518)	—	(2,964)	(78)	(13,560)
Closing net book amount					
as at 30 June 2015	135,981	3,927,131	108,725	1,074	4,172,911
Opening net book amount					
as at 1 January 2014	167,511	3,941,580	117,620	1,178	4,227,889
Amortisation (a) (Note 23)	(10,518)	—	(2,964)	(47)	(13,529)
Closing net book amount					
as at 30 June 2014	156,993	3,941,580	114,656	1,131	4,214,360

- (a) Amortisation of intangible assets has been charged to selling and marketing expenses in the consolidated statement of comprehensive income.
- (b) As at 30 June 2015, goodwill of the Group amounted to RMB3,927,131,000, including goodwill of RMB151,618,000 which was generated from acquisition of juice business in PRC in previous years before listing and goodwill of RMB3,775,513,000 which was generated from acquisition of one of the Group's major supplier of puree and concentration business in 2013.

Goodwill is monitored by the Board at the operating segment level. As the Group is considered as one reportable segment (Note 6), impairment assessment of goodwill is performed on a consolidated basis, i.e., considering the Group as a group of cash generating units (the "CGUs").

The recoverable amounts of the CGUs 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 at the expected production capacity. Cash flows beyond the six-year period are extrapolated using the estimated growth rate of 3%.

The other key assumptions used for value-in-use calculations in 2015 mainly include budgeted gross margin, which is within a range of 36%–40%. The discount rate used in goodwill impairment assessment for the six months ended 30 June 2015 is 11.5% (the year ended 31 December 2014: 11.0%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

8 Intangible assets (Continued)

Management determined budgeted revenue growth rate and gross margin based on past performances and its expectations of market development. The long-term growth rate used is determined after considering industry forecasts and the Group's market position. The discount rate used is post-tax and reflects specific risks relating to the Group's business operations.

Based on above assessment, the directors are of the view that there was no impairment of goodwill as at 30 June 2015.

9 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments in PRC (leases between 30 to 50 years) and their net book values are analysed as follows:

	Unaudited	
	2015	2014
	RMB'000	RMB'000
Opening net book amount as at 1 January	1,099,054	1,123,894
Additions	40,893	33,076
Amortisation charge (Note 23)	(12,098)	(12,717)
Disposals	—	(12,762)
Disposal of subsidiaries (Note 32)	(167,050)	(100,357)
Closing net book amount as at 30 June	960,799	1,031,134

10 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Associates	11,653	5,781
Joint ventures	3,480	4,734
	15,133	10,515

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

10 Investments accounted for using the equity method (Continued)

The profit/(loss) recognised in the statement of comprehensive income are as follows:

	Unaudited 2015 RMB'000	2014 RMB'000
Associates	5,872	(2,144)
Joint ventures	(1,254)	—
For the six months ended 30 June	4,618	(2,144)

Investment in associates:

	Unaudited 2015 RMB'000	2014 RMB'000
At 1 January	5,781	6,413
Addition	—	2,445
Share of profit/(loss) of associates	5,872	(2,144)
At 30 June	11,653	6,714

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

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Share of profit RMB'000	% interest held
Golden Creation (Cayman) Trade Co. Ltd. (a)	Cayman Islands	219,134	131,672	71,658	5,872	18.83
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd. (b)	China	18,641	38,421	2,236	—	30.00
Huiyuan Suntory (Shanghai) Beverage Co., Ltd. (c)	China	216,915	369,565	169,874	—	50.00

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

10 Investments accounted for using the equity method (Continued)

- (a) Although the Group holds less than 20% of the equity shares of Golden Creation (Cayman) Trade Co. Ltd. (“Golden Creation”), the Group exercises significant influence over Golden Creation by virtue of its contractual right to appoint director to the board of directors of Golden Creation and has the power to participate in the financial and operating policy decisions of Golden Creation.
- (b) The investment in Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd. (“Beijing Xiangjuzhai”) has been reduced to nil since 31 December 2013. There was no additional obligation to share the loss of Beijing Xiangjuzhai for the six months ended 30 June 2015 and 2014.
- (c) In May 2014, the Group entered into equity transfer agreements (the “Equity Transfer Agreements”) with Suntory (China) Holding Co., Ltd. Pursuant to the Equity Transfer Agreements, the Group completed the acquisition of 100% equity interests in Suntory (Shanghai) Foods Co., Ltd. (subsequently renamed as Shanghai Huiyin Food Co., Ltd. or “Shanghai Huiyin”) and 50% equity interests in Suntory (Shanghai) Foods Marketing Co., Ltd. (subsequently renamed as Huiyuan Suntory (Shanghai) Beverage Co., Ltd. or “Huiyuan Suntory”) on 1 January 2015.

After the above acquisition, Shanghai Huiyin becomes a wholly-owned subsidiary of the Group. This transaction has been accounted for an acquisition of assets and liabilities since Shanghai Huiyin did not carry out any business prior to the acquisition. For Huiyuan Suntory, it has been treated as an investment accounted for using the equity method since the Group can only exercise significant influence over Huiyuan Suntory with its right to appoint 2 out of 5 directors in the Board of Directors of Huiyuan Suntory.

According to the Equity Transfer Agreements (including the adjustment of consideration therein), the total cash consideration for the above transaction amounted to RMB84,194,000. The total consideration was allocated between the investments in Huiyuan Suntory and Shanghai Huiyin based on their relative fair values. Accordingly, nil consideration was allocated to Huiyuan Suntory since it has been operating at a loss prior to the acquisition. For the six months ended 30 June 2015, the Group did not share any profit or loss from Huiyuan Suntory due to its accumulated deficit position. For the investment in Shanghai Huiyin, the allocated consideration amounted to RMB84,194,000. The acquired assets and liabilities of Shanghai Huiyin as at 1 January 2015 mainly comprised property, plant and equipment of RMB63,418,000, trade and other receivables of RMB71,275,000 and bank borrowings of RMB55,050,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

10 Investments accounted for using the equity method (Continued)

Investment in a joint venture:

	Unaudited 2015 RMB'000	2014 RMB'000
At 1 January	4,734	—
Share of loss of a joint venture	(1,254)	—
At 30 June	3,480	—

The details of the joint venture, which is indirectly held by the Company, are as follows:

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.

11 Long-term prepayments

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Long-term prepayments for property, plant and equipment	134,597	89,314
Long-term prepayments for land use rights	—	16,854
Prepayment for consideration of business combination	—	36,447
	134,597	142,615

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

12 Inventories

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Raw materials	762,229	724,596
Finished goods	378,953	168,034
Spare parts and consumable materials	362,484	318,603
	1,503,666	1,211,233

The cost of inventories recognised as expenses amounted to RMB1,227,858,000 for the six months ended 30 June 2015 (corresponding period in 2014: RMB928,917,000).

13 Trade and other receivables

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade receivables (a)	1,447,337	1,567,837
Related parties (Note 33(c))	98,748	51,339
Third parties	1,473,829	1,624,114
Less: Provision for impairment of trade receivables	(125,240)	(107,616)
Bills receivable — third parties	35,339	18,748
Prepayments of raw materials and others	466,431	439,231
Related parties (Note 33(c))	44,091	—
Third parties	422,340	439,231
Deductible value added tax — input balance	149,427	141,385
Other receivables	1,572,847	15,786
Third parties	1,583,488	25,065
Less: Provision for impairment of other receivables	(10,641)	(9,279)
	3,671,381	2,182,987

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

13 Trade and other receivables (Continued)

The carrying amounts of receivables approximate their fair value.

- (a) The majority of the Group's sales are settled in cash or by cheque on delivery of goods, except for a customer on OEM business and sales to selected distributors and supermarkets which are settled within the credit terms as agreed in respective sales contracts. The majority of these customers are with credit terms of 90 to 180 days. Certain customers with long-term relationship have extended preferential credit terms exceeding 180 days. As at 30 June 2015 and 31 December 2014, an aging analysis of the trade receivables was as follows:

— Third parties

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 3 months	888,856	1,038,330
Between 4 and 6 months	86,697	368,652
Between 7 and 12 months	321,730	97,577
Between 1 and 2 years	132,380	112,135
Over 2 years	44,166	7,420
	1,473,829	1,624,114

— Related parties

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 3 months	55,250	50,493
Between 4 and 6 months	21,621	846
Over 6 months	21,877	—
	98,748	51,339

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

14 Available-for-sale financial assets

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Treasury products issued by commercial banks	132,025	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.

15 Cash and cash equivalents, restricted cash and short-term bank deposits

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

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Cash at banks and cash in hand		
Denominated in		
– RMB Yuan	1,695,158	843,332
– U.S. Dollar	55,397	303,784
– Euro	92	8
– Others	87	131
	1,750,734	1,147,255
Less:		
Restricted cash		
– pledged for letter of credits	(67,650)	(368,367)
– deposits for note payables	(39,262)	(59,515)
Short-term bank deposits	(748,010)	(25,000)
	895,812	694,373

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

16 Share capital and share premium

	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 2015	2,532,275	180	8,303,542	541,474	8,845,196
At 30 June 2015	2,532,275	180	8,303,542	541,474	8,845,196

- (a) There is no change in share capital, share premium and convertible preference shares during the six months ended 30 June 2015.
- (b) On 21 October 2013, the Company issued 655,326,877 convertible preference shares (the "CPS") to the controlling shareholder 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). Each CPS has the same right to receive dividends and other distributions as the ordinary share, but carries no voting rights as the ordinary share and it has a seniority on the distributions of assets upon liquidation, winding-up or dissolution of the Company. The CPS are non-redeemable by the Company or the holder.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

17 Share-based compensation

(a) Share Option Scheme

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2015 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 2015	Number of underlying shares comprised in the options granted during the period	Number of underlying shares comprised in the options lapsed during the period	Number of underlying shares comprised in the options exercised during the period	Number of underlying shares comprised in the options outstanding as at 30 June 2015
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	12,752,792	–	(595,792)	–	12,157,000
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	17,930,000	–	(1,950,000)	–	15,980,000
An aggregate of 5 directors	20 March 2014	20 March 2024	6.12	750,000	–	–	–	750,000

Fair values of the share options charged to the condensed consolidated statement of comprehensive income as employee benefit expense during the six months ended 30 June 2015 was RMB429,000 (corresponding period in 2014: 259,000).

(b) Share Award Scheme

During the six months ended 30 June 2015, there was no share granted, vested or lapsed under the Share Award Scheme. There was no outstanding awarded share as at 30 June 2015.

During the six months ended 30 June 2014, the Group granted an aggregate of 8,042,293 shares under the Share Award Scheme. The fair value of the awarded shares charged to the condensed consolidated statement of comprehensive income was RMB13,353,000 for the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

18 Trade and other payables

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade payables (a)	1,737,695	1,268,497
Related parties (Note 33(c))	129,597	45,848
Third parties	1,608,098	1,222,649
Other payables	1,347,630	808,755
Related parties (Note 33(c))	5,107	51,324
Third parties	1,342,523	757,431
	3,085,325	2,077,252

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade and other payables		
Non-current	54,885	57,140
Current	3,030,440	2,020,112
	3,085,325	2,077,252

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

18 Trade and other payables (Continued)

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

— Third parties

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 3 months	1,447,494	1,136,120
Between 4 and 6 months	117,509	53,410
Between 7 and 12 months	35,681	25,482
Between 1 and 2 years	4,360	2,689
Between 2 and 3 years	1,335	4,605
Over 3 years	1,719	343
	1,608,098	1,222,649

— Related parties

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 3 months	129,597	45,848

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

19 Borrowings

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Non-current		
Bank borrowings (a)	1,298,621	327,782
Finance lease liabilities (b)	90,464	—
	1,389,085	327,782
Current		
Bank borrowings (a)	2,501,013	3,130,667
Finance lease liabilities (b)	10,026	—
	2,511,039	3,130,667
Total borrowings	3,900,124	3,458,449
	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Unsecured	3,900,124	3,458,449

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

19 Borrowings (Continued)

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	3,458,449
Proceeds from bank borrowings	2,338,440
Repayments of borrowings from banks and other financial institution	(1,950,132)
Effect of change in exchange rate	(3,881)
Disposal of subsidiaries (Note 32)	(43,242)
Finance lease liabilities — addition	100,256
Finance lease liabilities — amortization of discount	234
Closing amount as at 30 June 2015	3,900,124
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	3,786,043
Proceeds from bank borrowings	2,234,705
Repayments of borrowings	(2,469,720)
Closing amount as at 30 June 2014	3,551,028

(a) Bank borrowings

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

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
RMB	1,892,198	1,286,111
USD	1,907,436	2,134,021
HKD	—	38,317
	3,799,634	3,458,449

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

19 Borrowings (Continued)

(a) Bank borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates was as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 6 months	3,420,765	2,828,449
6–12 months	378,869	630,000
	3,799,634	3,458,449

The effective interest rates of bank borrowings at the balance sheet dates were as follows:

	Unaudited 30 June 2015	Audited 31 December 2014
Bank borrowings	5.41%	4.90%

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

The carrying amounts of current borrowings approximate their fair values since the maturity is no more than 1 year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

19 Borrowings (Continued)

(b) Finance lease liabilities

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Gross finance lease liabilities — minimum lease payments:		
No later than 1 year	13,359	—
Later than 1 year and no later than 5 years	92,718	—
Later than 5 years	10,310	—
	116,387	—
Future finance charges on finance leases	(15,897)	—
Present value of finance lease liabilities	100,490	—

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
The present value of finance lease liabilities is as follows:		
No later than 1 year	10,026	—
Later than 1 year and no later than 5 years	80,438	—
Later than 5 years	10,026	—
	100,490	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

20 Convertible bonds

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Non-current		
The 2016 Convertible Bonds (a)	—	185,952
The 2019 Convertible Bonds (b)	825,384	674,430
	825,384	860,382
Current		
The 2016 Convertible Bonds (a)	201,439	—

(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 the same as those described in the annual financial statements for the year ended 31 December 2014.

As at 30 June 2015, 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.

The loss on change in fair value of the embedded derivatives of the 2016 Convertible Bonds for the six months ended 30 June 2015 of RMB4,580,000 (corresponding period in 2014: a gain of RMB9,182,000) was recognised as “unrealised loss on change of fair value of embedded derivatives of convertible bonds” in the condensed consolidated statement of comprehensive income. The related interest expense of the liability component of the 2016 Convertible Bonds for the six months ended 30 June 2015 amounted to RMB15,068,000 (corresponding period in 2014: RMB46,113,000), which was calculated using the effective interest method with an effective interest rate of 16.45%.

As at 30 June 2015, the 2016 Convertible Bonds have been reclassified as current liabilities due to the redemption option of the holders on 29 April 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

20 Convertible bonds (Continued)

(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 the same as those described in the annual financial statements for the year ended 31 December 2014.

As at 30 June 2015, 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.

The loss on change in fair value of the embedded derivatives (conversion component) of the 2019 Convertible Bonds for the six months ended 30 June 2015 of RMB98,193,000 (corresponding period in 2014: a gain of RMB262,931,000) and the amortisation of deferred loss on conversion component of RMB8,088,000 (corresponding period in 2014: RMB4,069,000) were recognised as “unrealised loss on change of fair value of embedded derivatives of convertible bonds” in the condensed consolidated statement of comprehensive income. The related interest expense of the liability component of the 2019 Convertible Bonds for the six months ended 30 June 2015 amounted to RMB45,259,000 (corresponding period in 2014: RMB21,464,000), which was calculated using the effective interest method with an effective interest rate of 13.95%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

20 Convertible bonds (Continued)

- (c) The movements in the components of the 2016 Convertible Bonds and the 2019 Convertible Bonds during the six months ended 30 June 2015 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds		
	Liability component	Embedded derivatives	Total	Liability component	Embedded derivatives	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	184,710	1,242	185,952	664,287	10,143	674,430
Change in fair value of embedded derivatives	—	4,580	4,580	—	98,193	98,193
Amortisation of deferred loss on conversion component	—	—	—	—	8,088	8,088
Interest expense	15,068	—	15,068	45,259	—	45,259
Interest paid	(4,002)	—	(4,002)	—	—	—
Unrealised exchange loss	(159)	—	(159)	(586)	—	(586)
As at 30 June 2015	195,617	5,822	201,439	708,960	116,424	825,384

- (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 30 June 2015 amounted to RMB205,930,000 and RMB804,680,000, respectively, which are calculated using cash flows discounted at a rate of 7.99% and 9.24%, respectively.

21 Other income — net

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Government subsidy income	47,302	25,006
Net income from sales of materials and scrap	33,518	5,331
Amortisation of deferred government grants	29,276	10,624
(Loss)/gain on disposals of property, plant and equipment	(254)	14,599
Others	3,744	1,601
	113,586	57,161

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

22 Other gains — net

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gain on disposal of a subsidiaries (Note 32)	302,699	151,004

23 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Raw materials used and changes in inventories (Note 12)	1,227,858	928,917
Advertising and other marketing expenses	467,695	364,370
Employee benefit expense (Note 24)	345,719	184,419
Depreciation of property, plant and equipment (Note 7)	261,348	263,966
Transportation and related charges	116,253	90,977
Water and electricity	114,128	101,871
City construction tax, property tax and other tax surcharges	44,608	41,046
Repairs and maintenance	29,369	33,973
Travelling expense	26,309	10,955
Rental expenses	23,170	4,278
Office and communication expenses	22,825	14,749
Impairment loss for trade and other receivables	22,486	31,293
Amortisation of sales distribution network, trademarks and software (Note 8)	13,560	13,529
Amortisation of land use rights (Note 9)	12,098	12,717
Other expenses	18,703	37,756
Total cost of sales, selling and marketing expenses and administrative expenses	2,746,129	2,134,816

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

24 Employee benefit expense

		Unaudited Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000
Wages and salaries		301,002	145,524
Contributions to pension plan and other benefits	(a)	44,288	25,283
Share-based compensation		429	13,612
		345,719	184,419

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial governments under which the Group are required to make monthly defined contributions to this plan at a certain rate of the employees' basic salary dependent upon the applicable local regulations.

(b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company during the six months ended 30 June 2015 and 2014 were as follows:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries, wages and bonuses	1,827	1,532
Contributions to pension plan	84	13
Welfare and other expenses	74	58
Share-based compensation	429	259
	2,414	1,862

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

25 Finance expenses

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest expenses:		
— Bank borrowings	127,148	116,353
— Interest expense relating to finance lease liabilities	234	—
— Interest expense relating to convertible bonds (Note 20(c))	60,327	67,577
Exchange loss (excluding convertible bonds)	—	21,862
Exchange loss on liability component of convertible bonds (Note 20(c))	—	7,303
Less: Interest capitalised	(25,040)	(18,035)
	162,669	195,060
Weighted average effective interest rate used to calculate interest capitalisation amount	5.41%	4.84%

26 Finance income

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income from bank deposits	11,949	14,711
Exchange gain (excluding convertible bonds)	4,314	—
Exchange gain on liability component of convertible bonds	745	—
	17,008	14,711

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

27 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	98,639	58,649
Deferred income tax credit	(3,243)	(20,087)
	95,396	38,562

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

According to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the six months ended 30 June 2015 and 2014 since the Group plans to expand operation in the PRC and has no plan to distribute such profits in the foreseeable future.

28 (Loss)/earnings per share

(a) Basic

Basic (loss)/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 period.

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit attributable to equity holders of the Company:		
Basic (loss)/earnings attributable to ordinary shares	(93,045)	15,437
Basic (loss)/earnings attributable to convertible preference shares	(4,605)	5,057
	(97,650)	20,494

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

28 (Loss)/earnings per share (Continued)

(a) Basic (Continued)

	Unaudited Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2015	2014	2015	2014
Weighted average number of shares outstanding for basic (loss)/earnings per share (thousands)	2,532,275	2,000,275	125,327	655,327

	Unaudited Six months ended 30 June	
	2015	2014
Basic (loss)/earnings per ordinary share (RMB cents)	(3.7)	0.8
Basic (loss)/earnings per convertible preference share (RMB cents)	(3.7)	0.8

(b) Diluted

Diluted loss 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

28 (Loss)/earnings per share

(b) Diluted (Continued)

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit attributable to equity holders of the Company	(97,650)	20,494
Add: Interest expense relating to the 2019 Convertible Bonds	—*	21,464
Add: Unrealised exchange loss relating to the 2019 Convertible Bonds	—*	73
Less: Fair value change in the embedded derivatives of the 2019 Convertible Bonds	—*	(258,862)
Loss attributable to equity holders of the Company, used to determine diluted loss per share	(97,650)	(216,831)
Diluted loss attributable to ordinary shares	(93,045)	(164,978)
Diluted loss attributable to convertible preference shares	(4,605)	(51,853)
	(97,650)	(216,831)

	Unaudited			
	Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2015	2014	2015	2014
Weighted average number of shares outstanding for basic (loss)/earnings per share (thousands)	2,532,275	2,000,275	125,327	655,327
Adjustment for the 2019 Convertible Bonds	—*	84,567	—*	—
Adjustment for Share Award Scheme	—*	188	—*	—
Weighted average number of shares outstanding for diluted loss per share (thousands)	2,532,275	2,085,030	125,327	655,327

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

28 (Loss)/earnings per share (Continued)

(b) Diluted (Continued)

	Unaudited	
	Six months ended 30 June	
	2015	2014
Diluted loss per ordinary share (RMB cents)	(3.7)	(7.9)
Diluted loss per convertible preference share (RMB cents)	(3.7)	(7.9)

- * During the six months ended 30 June 2015, the impacts of interest expense, unrealised exchange gain and fair value change in the embedded derivatives of the 2019 Convertible Bonds are antidilutive and have therefore been excluded from the calculation of diluted loss per share.

For the purpose of calculating diluted loss per share for the six months ended 30 June 2015 and 2014:

- The 2016 Convertible Bonds are assumed to have been converted into ordinary shares with the impact of interest expense of, unrealised exchange gain/(loss) of and fair value changes of embedded derivatives of the 2016 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2015 and 2014;
- The 2019 Convertible Bonds are assumed to have been converted into ordinary shares with the impact of interest expense of, unrealised exchange gain/(loss) of and fair value changes of embedded derivatives of the 2019 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2015 and is dilutive for the six months ended 30 June 2014;
- The share options and share awards are assumed to have been exercised with no corresponding change in (loss)/profit attributable to equity holders of the Company. This potential adjustment results in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2015 and is dilutive for the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

29 Dividends

The board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2015 (corresponding period in 2014: nil).

30 Contingent liabilities

There were no material contingent liabilities as at 30 June 2015.

31 Commitments

(a) Capital commitments

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

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Purchase of property, plant and equipment	99,417	175,686

(b) Operating lease commitments

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

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

The Group is the lessee

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
No later than 1 year	3,000	2,000
Later than 1 year and no later than 5 years	—	2,000
	3,000	4,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

32 Disposal of subsidiaries

On 18 June 2015, the Group entered into an equity transfer agreement with Founder Fubon, to transfer its entire equity interests in the Disposed Entities, all of which are wholly-owned subsidiaries of the Company, for a total cash consideration of RMB1,812,000,000.

	Unaudited 30 June 2015 RMB'000
Consideration satisfied by	
Cash	500,000
Consideration receivable — other receivable	1,312,000
	<hr/> 1,812,000
Gain on disposal of the Disposed Entities	
Total consideration	1,812,000
Net assets of the Disposed Entities — shown as below	(1,509,301)
	<hr/> 302,699

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

32 Disposal of subsidiaries (Continued)

The assets and liabilities of the Disposed Entities as of disposal date:

	Carrying value RMB'000
Property, plant and equipment	897,124
Land use rights	167,050
Intangible assets	14,449
Trade and other receivables	644,872
Cash and cash equivalents	12,368
Trade and other payables	(183,320)
Borrowings	(43,242)
Net assets of the Disposed Entities	1,509,301

Cash inflows arising from disposal of the Disposed Entities for the six months ended 30 June 2015

Proceeds received in cash	500,000
Cash and cash equivalents in the Disposed Entities	(12,368)
Cash inflows on the disposal during the period	487,632

As of 30 June 2015, the disposal of equity interest of the Disposed Entities has been completed. As of the date of approval of this condensed consolidated interim financial information, the Group has received an aggregate amount of RMB1,168,540,000 from Founder Fubon in relation to the disposal of the Disposed Entities.

33 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) During the period, the Company's directors and the Group's management are of the view that the controlling shareholder and the companies beneficially owned by the controlling shareholder were related parties of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

33 Related-party transactions (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Sales of goods and services		
Sales of goods to associates	63,088	34,287
Sales of materials and scrap	19,401	6,254
	82,489	40,541
Purchase of materials and services		
Purchase of goods	175,455	—
Purchase of raw materials	76,515	52,294
Purchase of transportation service	72,525	—
	324,495	52,294

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:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, wages and bonuses	5,469	7,137
Contributions to pension plan	211	70
Welfare and other expenses	123	598
Share-based compensation	429	13,612
	6,232	21,417

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For six months ended 30 June 2015

33 Related-party transactions (Continued)

(b) (Continued)

Key management compensation (Continued)

During the six months ended 30 June 2015 and 2014, one subsidiary of the Group, Beijing Huiyuan Food & Beverage Co., Ltd, has been using and will continue to use certain office premises owned by Beijing Huiyuan Beverage & Food Group Co. Ltd., a related party beneficially owned by the controlling shareholder, at nil cost.

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

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

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade receivables	13	98,748	51,339
Other receivables	13	44,091	—
Trade payables	18	129,597	45,848
Other payables	18	5,107	51,324

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

34 Events after the balance sheet date

On 7 July 2015, the Company completed the issuance of credit enhanced bonds due 7 July 2018 (the "2018 Bonds"), with the benefit of an irrevocable Standby Letter of Credit provided by Agricultural Bank of China Limited New York Branch, in an aggregate principal amount of EUR200,000,000 and raised a net proceeds of EUR197,300,000 (equivalent to approximately RMB1,337,104,000). The 2018 Bonds bear interest rate at 1.55% per annum.

GLOSSARY OF TERMS

“Board”	the board of directors of our Company
“BVI”	the British Virgin Islands
“China Huiyuan Holdings”	China Hui Yuan Juice Holdings Co., Ltd. (中國滙源果汁控股有限公司), a limited liability company incorporated in the Cayman Islands
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company”, “Huiyuan”, “we”, “us” or “our”	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司), a limited liability company incorporated in the Cayman Islands on 14 September 2006, and where the context otherwise requires, all of its subsidiaries and associated companies
“Director(s)”	the director(s) of the Company
“Financial Management and Audit Committee”	the financial management and audit committee of the Company as set up by the Board on 21 September 2006
“Group” or “Huiyuan Juice”	the Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or the businesses operated by the present subsidiaries or (as the case may be) its predecessor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Huiyuan Holdings”	Huiyuan International Holdings Limited (滙源國際控股有限公司), a company incorporated in the BVI
“Listing Date”	23 February 2007 being the date on which dealings in the shares of the Company first commence on the Hong Kong Stock Exchange

GLOSSARY OF TERMS (CONTINUED)

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

The terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “independent third party”, “subsidiary” and “substantial shareholder” shall have the meanings given to these terms under the Hong Kong Listing Rules.