



# 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



## ABOUT US

China Huiyuan Juice Group Limited (the “Company”, together with its subsidiaries, the “Group” or “Huiyuan Juice” or “Huiyuan”), a leading fruit and vegetable juice producer operating on a full-range industrial chain in China, is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. As at the date of this report, the Group has 40 subsidiaries with 11,336 employees. Juice products of Huiyuan Juice are categorized into 100% juice, nectars and juice drinks based on juice concentration. According to the research on Chinese retail sector conducted by Nielsen in the first half of 2016, the Group’s 100% juice and nectars continue to rank as the market leader with market shares of 60.0% and 39.4%, respectively, each by sales volume. Most of the products of the Group are sold under the brand of “Huiyuan”. The Group believes that “Huiyuan” juice is one of the most familiar brands and recognized fruit and vegetable juices among Chinese consumers.



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# FINANCIAL HIGHLIGHTS

## Comparison of the unaudited consolidated results for the first half of 2016 and the first half of 2015

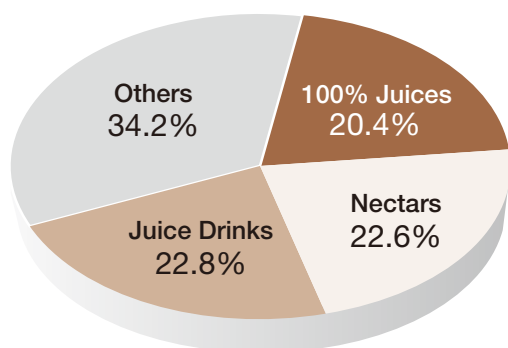
	For the six months ended 30 June (RMB'000)	
	2016	2015
Revenue	<b>2,686,497</b>	2,580,913
Cost of sales	<b>1,611,998</b>	1,702,541
Gross profit	<b>1,074,499</b>	878,372
Profit/(loss) attributable to equity holders of the Company	<b>31,371</b>	(97,650)
Adjusted profit attributable to equity holders of the Company (Note 1)	<b>115,213</b>	68,908
EBITDA (Note 2)	<b>450,747</b>	542,693
Earnings/(loss) per share (RMB cents) (Note 3)		
— basic	<b>1.2</b>	(3.7)
— diluted	<b>0.0</b>	(3.7)

Note 1: The adjusted profit attributable to equity holders excludes interest expense on the convertible bonds, change in fair value of embedded derivatives of the convertible bonds, exchange gain or loss and amortisation of employee share options.

Note 2: The calculation of EBITDA is profit or loss for the period before income tax expense, finance expenses, finance income, depreciation of property, plant and equipment, amortisation of intangible assets, amortisation of land use rights and change in fair value of embedded derivatives of convertible bonds.

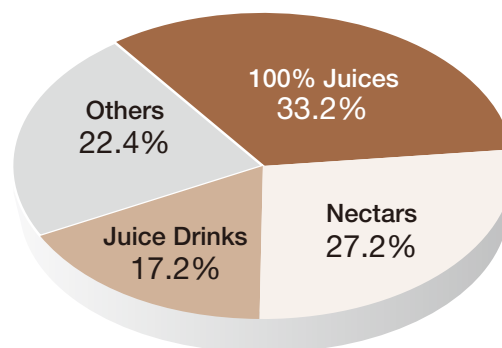
Note 3: Please refer to Note 22 to the Condensed Consolidated Interim Financial Information for the calculation of (loss)/earnings per share.

## Revenue by product



2015

For the six months ended 30 June



2016

For the six months ended 30 June

## FINANCIAL HIGHLIGHTS (CONTINUED)

### Financial ratio (Based on the unaudited consolidated results for the first half of 2016 and the first half of 2015)

	For the six months ended 30 June		
	2016	2015	Change
Return on equity	<b>0.3%</b>	-0.9%	1.2%
Return on assets	<b>0.2%</b>	-0.5%	0.7%
Gearing ratio (total debt/total equity) (Note 1)	<b>58.0%</b>	47.6%	10.4%

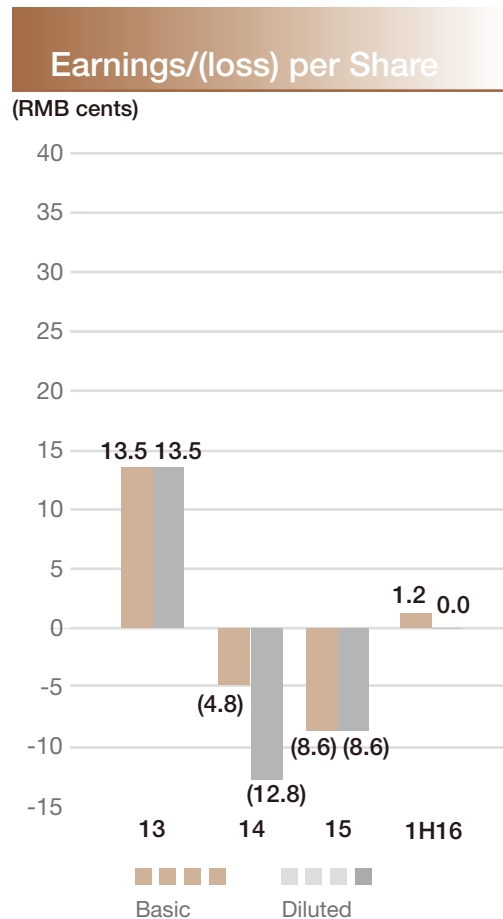
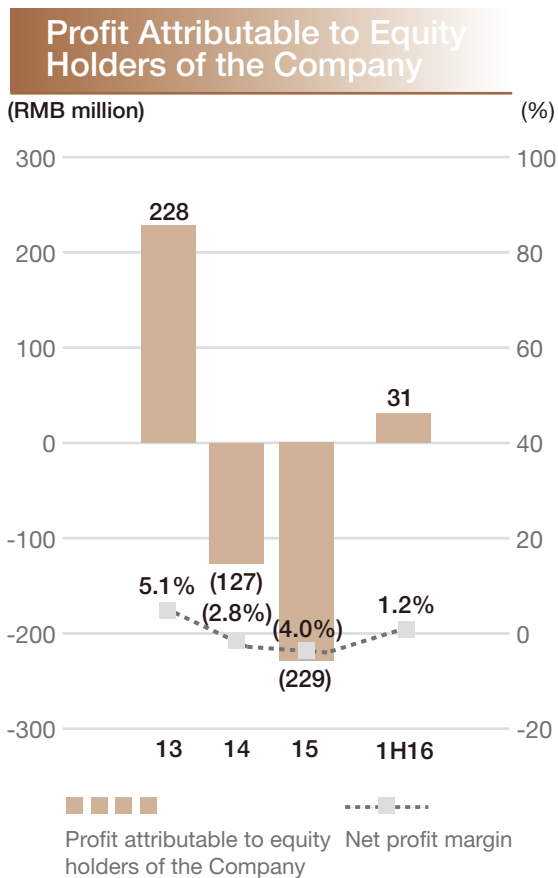
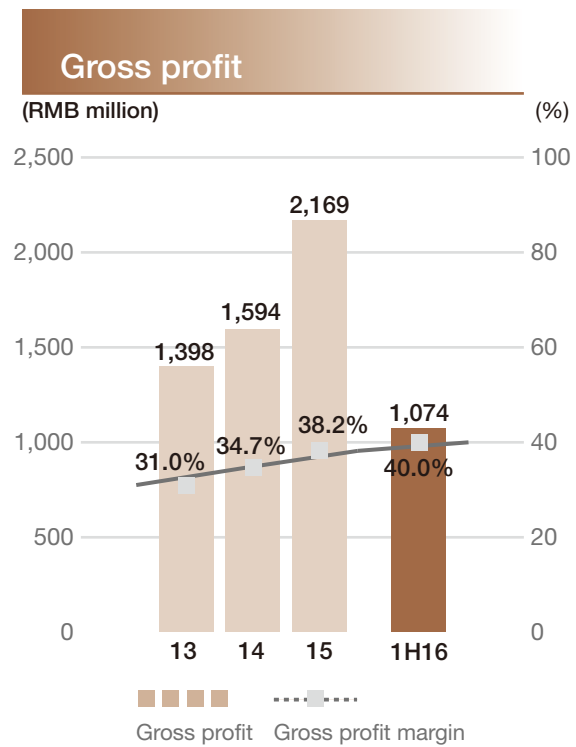
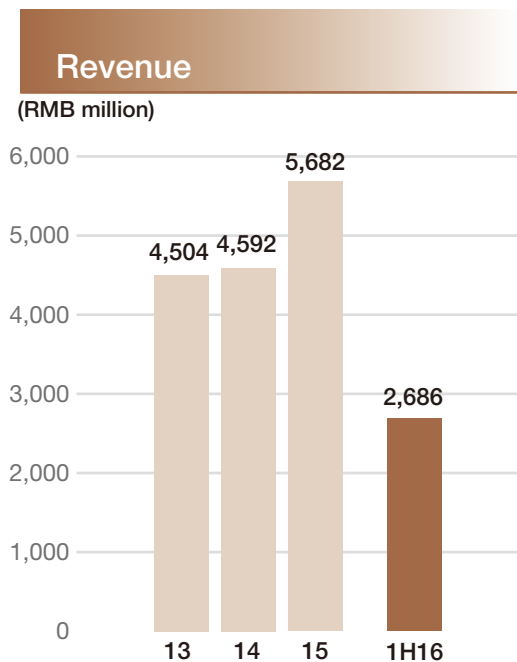
### Operating ratio (Note 2)

	For the six months ended 30 June		
	2016	2015	Change
Turnover of finished goods	<b>29 days</b>	29 days	0 days
Turnover of raw materials	<b>112 days</b>	110 days	+2 days
Turnover of trade receivables	<b>138 days</b>	109 days	+29 days
Turnover of trade payables	<b>159 days</b>	161 days	-2 days

Note 1: The total debt includes total borrowings (including corporate bonds and finance lease liabilities) of RMB5,171.1 million as at 30 June 2016 (as at 30 June 2015: RMB3,900.1 million) and convertible bonds of RMB818.3 million as at 30 June 2016 (as at 30 June 2015: RMB1,026.8 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

During the first half of 2016, under the combined action of further advancement in innovative reforms as well as the continuous effects of macroeconomic policies, the Chinese national economy has maintained a growth momentum featuring stability, progression and prosperity in general; the economic structure continued to optimize due to the progress of supply-side structural reformation and industrial structure optimization. In the first half of 2016, China recorded RMB34,063.7 billion in GDP, representing a growth of 6.7%, in terms of comparable prices. Total retail sales of social consumer goods was RMB15,613.8 billion, with a nominal year-on-year growth of 10.3%. National per capita disposable income was RMB11,886, with a nominal year-on-year growth of 8.7%; net of the price factors, the real growth was 6.5%. The contribution of final consumption expenditure to GDP growth was 73.4%, an increase of 13.2% over the same period last year. Overall, since the beginning of this year, the Chinese economy has been growing steadily, the per capita disposable income and consumption expenditure has recorded substantial increase.

According to Nielsen, in the first half of 2016, the overall sales of the beverage industry increased by 2% while the sales of the fruit juice industry decreased by 0.1% year-on-year. Amongst these sales, 100% juice recorded a year-on-year growth of 6.3%, nectar having 26–99% concentration recorded a negative growth of 1.0% year-on-year, juice drinks having 0–25% concentration recorded a year-on-year negative growth of 7.8%. The year-on-year drop in the sales of nectar and juice drinks were attributable to factors such as the heavy rains and flooding in this summer which affected sales of beverages but the 100% juice has maintained steady growth. This fully illustrated the healthy concept awareness of consumers is accelerating an upgrade of juice products consumption.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the first half of 2016	Market Share	
	By Volume (%)	By Value (%)
<b>100% Juice</b>		
<b>Huiyuan Juice</b>	60.0	50.7
Second ranked competitor	23.4	30.3
Third ranked competitor	4.4	4.4
Fourth ranked competitor	0.3	1.2
Fifth ranked competitor	1.1	1.1
<b>26%–99% Concentration</b> <sup>(Note 1)</sup>		
<b>Huiyuan Juice</b>	39.4	29.7
Second ranked competitor	25.6	20.8
Third ranked competitor	8.0	9.9
Fourth ranked competitor	3.2	4.4
Fifth ranked competitor	2.2	3.5
<b>25% &amp; Below Concentration</b>		
First ranked competitor	35.7	34.9
Second ranked competitor	23.3	22.8
Third ranked competitor	19.9	16.9
Fourth ranked competitor	4.0	6.4
Fifth ranked competitor	4.2	4.0
<b>Huiyuan Juice</b>	2.8	2.6

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.

*“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 the leading fruit and vegetable juice manufacturer in China, during the first half of 2016, we continued to concentrate on our core business, consolidating our position as a leader in the 100% juice market through striving in areas such as product innovation and consumer interaction, pioneering the consumption trend of the industry; while continuously strengthening manufacturing process through job-specialization and utilizing informational management and control to ensure product quality and reducing manufacturing costs; as for sales and distribution systems, much like a “three-horse-drawn-carriage”, distributors, direct sales companies, and sales offices gradually become more mature and stabilized. These have become strong drivers for the growth in sales of our core products and the increase in overall gross margin during the first half of 2016.

In the six months ended 30 June 2016, the Group recorded revenue of RMB2,686.5 million, representing an increase of 4.1% from RMB2,580.9 million for the six months ended 30 June 2015. Profit attributable to equity holders of the Company was RMB31.4 million as compared to a loss of RMB97.7 million for the corresponding period in 2015.

### FINANCIAL REVIEW

#### Overview

In the six months ended 30 June 2016, the Group recorded revenue of RMB2,686.5 million, an increase of 4.1% from RMB2,580.9 million for the six months ended 30 June 2015. Profit attributable to equity holders of the Company was RMB31.4 million as compared to a loss of RMB97.7 million for the corresponding period in 2015.

#### Revenue

Revenue of the Group’s products, comprising 100% juice, nectars, juice drinks and other beverage products, increased by 4.1% from RMB2,580.9 million in the first half of 2015 to RMB2,686.5 million in the first half of 2016.

Revenue of 100% juice, which accounted for 33.2% of the Group’s total revenue, increased by 69.7% from RMB525.8 million in the first half of 2015 to RMB892.5 million in the first half of 2016. Sales volume for the period increased by 61.1% as compared to the corresponding period last year while average selling price increased by 5.3%.

Revenue of nectars, which accounted for 27.2% of the Group’s total revenue, increased by 25.4% from RMB582.2 million in the first half of 2015 to RMB730.3 million in the first half of 2016. Sales volume for the period increased by 26.6% 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 17.2% of the Group's total revenue, decreased by 21.6% from RMB587.8 million in the first half of 2015 to RMB461.1 million in the first half of 2016. The decrease in revenue was due to a 14.5% decrease in sales volume and a 8.3% decrease in average selling price.

The revenue of other beverage products decreased by 31.9% from RMB885.1 million in the first half of 2015 to RMB602.7 million in the first half of 2016. The decrease in revenue was mainly due to the sales volume reduction of bottled water.

### Cost of Sales

Cost of sales decreased by 5.3% from RMB1,702.5 million for the six months ended 30 June 2015 to RMB1,612.0 million for the six months ended 30 June 2016. The decrease in cost of sales was primarily a result of the decrease in the purchase price of certain major raw materials.

### Gross Profit

Gross profit increased by 22.3% from RMB878.4 million for the six months ended 30 June 2015 to RMB1,074.5 million for the six months ended 30 June 2016. Gross profit margin increased 6.0 percentage points from 34.0% for the six months ended 30 June 2015 to 40.0% for the corresponding period in 2016. Gross profit margin increased primarily because of the increased proportion of high-margin products, the decrease in the purchase price of certain major raw materials and diluted depreciation resulting from the increase in sales.

### Other Income

Other income decreased by 9.8% from RMB113.6 million for the six months ended 30 June 2015 to RMB102.5 million for the corresponding period in 2016. Other income consists primarily of income from the sales of raw materials and scrap and government subsidy income.

### Selling and Marketing Expenses

Selling and marketing expenses decreased by 7.0% from RMB841.1 million for the six months ended 30 June 2015 to RMB782.5 million for the corresponding period in 2016, due to a decrease in employee benefit expenses and advertising expenses which was partially offset by an increase in other marketing expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative Expenses

Administrative expenses decreased by 3.9% from RMB202.5 million for the six months ended 30 June 2015 to RMB194.6 million for the corresponding period in 2016. Administrative expenses as a percentage of revenue have decreased from 7.8% for the six months ended 30 June 2015 to 7.2% for the six months ended 30 June 2016.

### Finance Income/Expenses

The Group recorded a net finance expenses of RMB255.3 million for the six months ended 30 June 2016 as compared to RMB145.7 million for the corresponding period in 2015.

### Income Tax Expenses

In the first half of 2016, the Company recorded an income tax expense of RMB13.4 million compared to RMB95.4 million for the corresponding period in 2015. The decrease in income tax expense was mainly due to the income tax for the gain on disposal of nine subsidiaries of the Group during the corresponding period in 2015.

### Profit/Loss Attributable to Equity Holders of the Company

The Group recorded a profit attributable to equity holders of the Company of RMB31.4 million for the six months ended 30 June 2016 as compared with a loss of RMB97.7 million for the corresponding period in 2015. The adjusted profit attributable to equity holders of the Company for the six months ended 30 June 2016 was RMB115.2 million compared to RMB68.9 million for the corresponding period in 2015.

### 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 2016, the Group had an aggregate of RMB5,171.1 million in outstanding borrowings (including corporate bonds and finance lease liabilities) and RMB818.3 million in outstanding convertible bonds as compared to RMB4,411.0 million in outstanding borrowings (including corporate bonds and finance lease liabilities) and RMB1,126.5 million in outstanding convertible bonds as at 31 December 2015. The gearing ratio calculated by dividing total borrowings (including convertible bonds) over total equity attributable to equity holders of the Company was 58.0% as at 30 June 2016, representing an increase of 4.1 percentage points as compared to 53.9% as at 31 December 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's borrowings primarily include borrowings (including corporate bonds and finance lease liabilities) and convertible bonds. As at 30 June 2016, the Group had the following indebtedness:

	Repayable within one year (RMB in million)	Repayable after one year (RMB in million)	Total (RMB in million)
Bank borrowings	1,903.9	901.5	2,805.4
Corporate bonds	600.0	1,487.1	2,087.1
Finance lease liabilities	61.2	217.4	278.6
	2,565.1	2,606.0	5,171.1
Convertible bonds	818.3	—	818.3
Total	3,383.4	2,606.0	5,989.4
Analysed as:			
Unsecured	3,383.4	2,606.0	5,989.4

### *Operating activities*

Net cash used in operating activities was RMB219.2 million in the first six months of 2016. The Group's profit before tax for the corresponding period was RMB44.6 million. The difference of RMB263.8 million was primarily due to depreciation of property, plant and equipment for the period of RMB228.7 million, a RMB111.6 million increase in inventory, a RMB844.4 million increase in trade and other receivables and a RMB371.5 increase in trade and other payables.

### *Investing activities*

Net cash used in investing activities for the first six months of 2016 was RMB1,078.2 million as compared to RMB248.6 million for the corresponding period in 2015. The net cash outflows for the first six months ended 30 June 2016 are mainly due to the purchase of property, plant and equipment of RMB174.0 million and the net increase in restricted cash and short-term bank deposits of RMB1,114.5 million, which was partially offset by the net decrease in available-for-sale financial assets of RMB225.0 million.

### *Financing activities*

Net cash generated from financing activities for the first six months of 2016 was RMB340.3 million as compared to RMB388.3 million for the corresponding period in 2015.

### **Capital Expenditure**

Capital expenditures primarily comprised purchase of property, plant and equipment and land use rights. The Group's total capital expenditures during the first half of 2016 decreased significantly compared to the corresponding period in 2015. During the first half of 2016, the Group spent RMB174.0 million on the purchase of property, plant and equipment and RMB3.9 million on the purchase of land use rights.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2016, the Group had capital commitments of RMB69.1 million for the purchase of property, plant and equipment.

The Group plans to finance its capital expenditure requirements in the second half of 2016 primarily with cash generated from its operations as well as borrowings.

### Analysis on Turnover of Inventories and Trade Receivables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates, purees and sugars) and finished goods (including juice and other beverage products). Raw materials make up the majority of the Group's inventories. Turnover days for raw materials increased from 110 days during the six months ended 30 June 2015 to 112 days during the six months ended 30 June 2016, and turnover days for finished goods was 29 days during the six months ended 30 June 2016 which remained the same as compared to 30 June 2015.

Turnover days for trade receivables increased to 138 days during the six months ended 30 June 2016 from 109 days during the six months ended 30 June 2015.

### Contingent Liabilities

During the six months ended 30 June 2016, the Group has been defending certain litigations. No provision in relation to these claims has been recognized in this condensed interim financial information, as legal advice indicates that it is not probable that a significant liability will arise.

### Off-Balance Sheet Transactions

As at 30 June 2016, the Group had not entered into any off-balance sheet transactions.

### Pledge of Assets

As at 30 June 2016, none of the property, plant, equipment and land use right of the Group was pledged to secure bank borrowings.

### Capital Leases

As at 30 June 2016, the Group has certain finance lease arrangements on property, plant and equipment with third parties. As at 30 June 2016, the Group had finance lease liabilities with present value of RMB278.7 million and undiscounted contractual amount of RMB311.9 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 risks.

### Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet date, 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 equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD") and Euro ("EUR"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, convertible bonds and borrowings (including corporate bonds and finance lease liabilities) denominated in USD and EUR. The Group did not use forward contract/derivative instruments during the six months ended 30 June 2016 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2016, if the RMB strengthened/weakened by 5% against USD and EUR with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2016 would have been increased/decreased by RMB243,030,000 (30 June 2015: RMB119,541,000), mainly due to the foreign exchange gains/losses on retranslation of convertible bonds and borrowings (including corporate bonds and finance lease liabilities) denominated in USD and EUR.

### EMPLOYEES AND WELFARE CONTRIBUTION

As at 30 June 2016, the Group had 11,336 employees (31 December 2015: 13,716 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 fruit juice drinks market, especially in respect of 100% juice products.

In the second half of 2016, 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 values 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 2016.

## Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2016.

## 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 Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (including the Appendix 14 as then in force, the "Governance Code") since its listing on the Hong Kong Stock Exchange in 2007. As at 30 June 2016, the Financial Management and Audit Committee consisted of three members, namely Mr. Leung Man Kit (chairman), Mr. Song Quanhou and Mr. Wang Wei, 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 joined with the management of the Company and its external auditor to review the auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2016.

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 2016 in accordance with the 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 the 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 30 December 2014, the Company as borrower entered into a facility agreement (the "2014 Facility Agreement") with a bank in relation to a two-year term loan facility with an aggregate principal amount of US\$48,000,000.
- On 4 September 2015, the Company as borrower entered into a facility agreement (the "2015 Facility Agreement") with certain banks in relation to a three-year term loan facility with an aggregate principal amount of US\$197,000,000 in respect of the original lenders and not exceeding US\$600,000,000 as a result of any additional lenders.

The 2014 Facility Agreement and the 2015 Facility Agreement are collectively referred to as the "Bank Facility Agreements".

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 result in a default of the relevant facility agreement, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Hong Kong Listing Rules on 31 December 2014 and 4 September 2015, respectively. For details of such obligations, please refer to the aforesaid announcements.

As at 30 June 2016, the outstanding amount owed by the Company under the 2014 Facility Agreement and the 2015 Facility Agreement was US\$48,000,000 and US\$197,000,000, respectively.

Further details of the borrowings of the Group as at 30 June 2016 are set out in note 14 to the unaudited condensed consolidated interim financial information.

## DIRECTORS' REPORT (CONTINUED)

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executives 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 2016

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Number of shares	Percentage of the Company's issued shares
Zhu Xinli	–	–	1,737,342,985 <sup>(a)</sup>	–	1,737,342,985	65.03%
Andrew Y. Yan	–	–	224,997,501 <sup>(b)</sup>	–	224,997,501	8.42%
	150,000 <sup>(c)</sup>	–	–	–	150,000	0.01%
Leung Man Kit	150,000 <sup>(c)</sup>	–	–	–	150,000	0.01%
Song Quanhou	150,000 <sup>(c)</sup>	–	–	–	150,000	0.01%
Zhao Yali	150,000 <sup>(c)</sup>	–	–	–	150,000	0.01%

#### Notes:

- 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.
- 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.
- Mr. Andrew Y. Yan, Mr. Leung Man Kit, Mr. Song Quanhou and Ms. Zhao Yali hold share options in respect of these Shares.

## DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executives of the Company had any 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 Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the six months ended 30 June 2016 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 which enable the Directors or the chief executives 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 the 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 2016 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 2016	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 2016
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	11,998,500	–	(242,000)	–	11,756,500
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
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	15,230,000	–	(900,000)	–	14,330,000
				27,828,500	–	(1,142,000)	–	26,686,500

## 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 2016, 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 2016, so far as is 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 2016

Name	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli	1,737,342,985 <sup>(a)</sup> (L)	65.03%
Huiyuan Holdings	1,737,342,985 <sup>(a)</sup> (L)	65.03%
China Huiyuan Holdings	1,737,342,985 <sup>(a)</sup> (L)	65.03%
Sino Fountain Limited	224,997,501 <sup>(b)</sup> (L)	8.42%
SAIF III GP Capital Ltd.	224,997,501 <sup>(b)</sup> (L)	8.42%
Mr. Andrew Y. Yan	224,997,501 <sup>(b)</sup> (L)	8.42%
Temasek Holdings (Private) Limited	219,781,132(L)	8.23%
	219,781,132(S)	8.23%
Ms. Huang Qiongzhi	200,000,000 <sup>(c)</sup> (L)	7.49%
Mr. Lu Zhiqiang	200,000,000 <sup>(c)</sup> (L)	7.49%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	200,000,000 <sup>(d)</sup> (L)	7.49%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	200,000,000 <sup>(e)</sup> (L)	7.49%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	200,000,000 <sup>(f)</sup> (L)	7.49%
Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司)	200,000,000 <sup>(g)</sup> (L)	7.49%
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 <sup>(g)</sup> (L)	7.49%
Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司)	200,000,000 <sup>(g)</sup> (L)	7.49%
China Oceanwide Holdings Limited (中泛控股有限公司)	200,000,000 <sup>(h)</sup> (L)	7.49%
China Oceanwide International Asset Management Limited (中泛國際資產管理有限公司)	200,000,000 <sup>(i)</sup> (L)	7.49%

## DIRECTORS' REPORT (CONTINUED)

### 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 Qiongzhi (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 Qiongzhi 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 2016, 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

On 30 March 2016, the Company issued a total of 125,326,877 ordinary Shares upon conversion of the convertible preference shares on a 1:1 basis.

Save as disclosed above, during the six months ended 30 June 2016, 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 2016, the Group had 11,336 employees (31 December 2015: 13,716 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 of the Directors

During the six months ended 30 June 2016, there was no changes to the information which are required to be disclosed or has been disclosed by the 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 (the "Code Provisions") set out in the Governance Code 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 2016.

## 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 2016.

On behalf of the Board

**Zhu Xinli**

*Chairman*

Beijing, 30 August 2016

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	6,472,320	6,433,821
Intangible assets	8	4,150,795	4,162,215
Land use rights	9	944,401	951,379
Deferred income tax assets		136,124	134,861
Investments accounted for using the equity method		47,662	22,352
Long-term receivable		904	1,038
Long-term prepayments		163,423	146,418
<b>Total non-current assets</b>		<b>11,915,629</b>	11,852,084
<b>Current assets</b>			
Inventories		1,402,847	1,293,340
Trade and other receivables	10	2,880,652	2,127,135
Available-for-sale financial assets		350,520	555,504
Restricted cash and short-term bank deposits	11	1,738,882	624,407
Cash and cash equivalents		679,449	1,631,547
<b>Total current assets</b>		<b>7,052,350</b>	6,231,933
<b>Total assets</b>		<b>18,967,979</b>	18,084,017
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	189	181
Share premium	12	8,883,182	8,341,716
Convertible preference shares	12	—	541,474
Other reserves		354,599	341,314
Retained earnings		1,086,933	1,055,562
		<b>10,324,903</b>	10,280,247
Non-controlling interests in equity		141,521	141,685
<b>Total equity</b>		<b>10,466,424</b>	10,421,932

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2016

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	13	35,135	55,135
Borrowings	14	2,605,996	2,502,994
Deferred government grants		31,826	32,493
Deferred income tax liabilities		8,704	8,885
Convertible bonds	15	—	906,996
<b>Total non-current liabilities</b>		<b>2,681,661</b>	3,506,503
<b>Current liabilities</b>			
Trade and other payables	13	2,376,897	1,965,050
Convertible bonds	15	818,266	219,536
Taxation payable		53,790	53,945
Deferred revenue		5,816	8,997
Borrowings	14	2,565,125	1,908,054
<b>Total current liabilities</b>		<b>5,819,894</b>	4,155,582
<b>Total liabilities</b>		<b>8,501,555</b>	7,662,085
<b>Total equity and liabilities</b>		<b>18,967,979</b>	18,084,017

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 the six months ended 30 June 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Revenue	6	<b>2,686,497</b>	2,580,913
Cost of sales	18	<b>(1,611,998)</b>	(1,702,541)
<b>Gross profit</b>		<b>1,074,499</b>	878,372
Other income — net	16	<b>102,467</b>	113,586
Other gains — net	17, 26	—	302,699
Selling and marketing expenses	18	<b>(782,492)</b>	(841,093)
Administrative expenses	18	<b>(194,584)</b>	(202,495)
Finance expenses	19	<b>(283,661)</b>	(162,669)
Finance income	20	<b>28,365</b>	17,008
Unrealised gain/(loss) on change of fair value of embedded derivatives of convertible bonds	15	<b>100,201</b>	(110,861)
Share of (loss)/profit of investments accounted for using the equity method		<b>(189)</b>	4,618
<b>Profit/(loss) before income tax</b>		<b>44,606</b>	(835)
Income tax expense	21	<b>(13,399)</b>	(95,396)
<b>Profit/(loss) for the period</b>		<b>31,207</b>	(96,231)
<b>Profit/(loss) attributable to:</b>			
— Equity holders of the Company		<b>31,371</b>	(97,650)
— Non-controlling interests		<b>(164)</b>	1,419
		<b>31,207</b>	(96,231)
<b>Other comprehensive income/(loss) for the period, net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets		<b>13,136</b>	(398)
<b>Total comprehensive income/(loss) for the period</b>		<b>44,343</b>	(96,629)
<b>Total comprehensive income/(loss) attributable to:</b>			
— Equity holders of the Company		<b>44,507</b>	(98,048)
— Non-controlling interests		<b>(164)</b>	1,419
		<b>44,343</b>	(96,629)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB Cents	RMB Cents
	Note	per share	per share
<b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary shareholders of the Company during the period (expressed in RMB cents per share)</b>			
	22		
— basic		<b>1.2</b>	(3.7)
— diluted		<b>0.0</b>	(3.7)
<b>Earnings/(loss) per share for profit/(loss) attributable to the preference shares holders of the Company during the period (expressed in RMB cents per share)</b>			
	22		
— basic		<b>1.2</b>	(3.7)
— diluted		<b>0.0</b>	(3.7)

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 the six months ended 30 June 2016

	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			
<b>Balance at 1 January 2016</b>		181	8,341,716	541,474	341,314	1,055,562	10,280,247	141,685	10,421,932
<b>Comprehensive income</b>									
Profit/(loss) for the period		–	–	–	–	31,371	31,371	(164)	31,207
Other comprehensive income		–	–	–	13,136	–	13,136	–	13,136
<b>Total comprehensive income/(loss)</b>		–	–	–	13,136	31,371	44,507	(164)	44,343
<b>Transactions with owners in their capacity as owners</b>									
Shares converted from convertible preference shares	12	8	541,466	(541,474)	–	–	–	–	–
Share-based compensation		–	–	–	149	–	149	–	149
<b>Total transactions with owners</b>		8	541,466	(541,474)	149	–	149	–	149
<b>Balance at 30 June 2016</b>		189	8,883,182	–	354,599	1,086,933	10,324,903	141,521	10,466,424
<b>Balance at 1 January 2015</b>		180	8,303,542	541,474	297,814	1,315,019	10,458,029	141,691	10,599,720
<b>Comprehensive income</b>									
(Loss)/profit for the period		–	–	–	–	(97,650)	(97,650)	1,419	(96,231)
Other comprehensive loss		–	–	–	(398)	–	(398)	–	(398)
<b>Total comprehensive (loss)/income</b>		–	–	–	(398)	(97,650)	(98,048)	1,419	(96,629)
<b>Transactions with owners in their capacity as owners</b>									
Share-based compensation		–	–	–	429	–	429	–	429
<b>Total transactions with owners</b>		–	–	–	429	–	429	–	429
<b>Balance at 30 June 2015</b>		180	8,303,542	541,474	297,845	1,217,369	10,360,410	143,110	10,503,520

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 the six months ended 30 June 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		(77,546)	204,151
Interest paid		(151,628)	(137,204)
Interest received		24,938	11,949
Income tax paid		(14,998)	(16,544)
<b>Cash flows from operating activities – net</b>		<b>(219,234)</b>	62,352
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(173,996)	(450,359)
Proceeds from disposal of property, plant and equipment		19,652	7,226
Purchases of land use rights		(3,906)	(24,039)
Proceeds from disposal of subsidiaries, net of cash disposed	26	—	487,632
Increase in restricted cash and short-term bank deposits, net		(1,114,475)	(402,040)
Decrease in available-for-sale financial assets, net		225,000	133,000
Investment in a joint venture		(25,500)	—
Prepayment for investment		(5,000)	—
<b>Cash flows from investing activities – net</b>		<b>(1,078,225)</b>	(248,580)
<b>Cash flows from financing activities</b>			
Proceeds from banks borrowings	14	280,000	2,338,440
Proceeds from issuance of corporate bonds	14	592,657	—
Redemption of convertible bonds	15	(224,225)	—
Repayments of bank borrowings	14	(264,631)	(1,950,132)
Repayments of finance lease liabilities	14	(43,509)	—
<b>Cash flows from financing activities – net</b>		<b>340,292</b>	388,308
Exchange gain/(loss) on cash and cash equivalents		5,069	(641)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(952,098)</b>	201,439
Cash and cash equivalents at the beginning of the period		1,631,547	694,373
<b>Cash and cash equivalents at end of the period</b>		<b>679,449</b>	895,812

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 the six months ended 30 June 2016

## 1 General information

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

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company’s shares 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 30 August 2016.

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

### Key events

On 30 March 2016, convertible preference shares with carrying value of HK\$684,285,000 (equivalent to approximately RMB541,474,000) were converted into ordinary shares of the Company. Further details are given in Note 12.

On 29 April 2016, the Company redeemed an aggregate principal amount of US\$32,700,000 of the convertible bonds due 29 April 2016 (the “2016 Convertible Bonds”) upon its maturity. Further details are given in Note 15.

On 5 May 2016, the Company issued corporate bonds due 5 May 2019 (the “2019 Bonds”) in an aggregate principal amount of RMB600,000,000 and with an interest rate of 7.6% per annum. Further details are given in Note 14.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, 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 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### (b) Impact of standards issued but not yet applied by the Group

##### (i) *IFRS 9 Financial instruments*

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing the impact of this new standard, as well as whether it should adopt IFRS 9 before its mandatory date.

##### (ii) *IFRS 15 Revenue from contracts with customers*

The International Accounting Standards Board (“IASB”) has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption. Management is currently assessing the effects of applying the new standard on the Group’s financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 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 2015.

### 5 Financial risk management

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk and credit 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 United States Dollar ("USD") and Euro ("EUR"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, convertible bonds and borrowings (including corporate bond and finance lease liabilities) denominated in USD and EUR. The Group did not use forward contract/derivative instruments in the half year of 2016 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2016, if RMB strengthened/weakened by 5% against USD and EUR with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2016 would have been increased/decreased by RMB243,030,000 (30 June 2015: RMB119,541,000), mainly due to the foreign exchange gains/losses on retranslation of convertible bonds and borrowings (including corporate bonds and finance lease liabilities) denominated in USD and EUR.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 5 Financial risk management (Continued)

#### 5.1 Financial risk factors (Continued)

##### *(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 2016, the gearing ratio was 58.0% (including convertible bonds in total borrowings) (31 December 2015: 53.9%), and 50.1% (excluding convertible bonds in total borrowings) (31 December 2015: 42.9%), respectively.

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 2015.

There have been no changes in the risk management policies since 2015 year end.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 5 Financial risk management (Continued)

#### 5.2 Fair value estimation

The disclosure of fair value measurements by levels 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 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for sale financial assets	—	—	350,520	350,520
<b>Liabilities</b>				
Embedded derivatives of convertible bonds due 30 April 2019 (the "2019 Convertible Bonds")	—	—	3,524	3,524

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 5 Financial risk management (Continued)

#### 5.2 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets	—	—	555,504	555,504
<b>Liabilities</b>				
Embedded derivatives of 2019 Convertible Bonds	—	—	103,725	103,725

The fair values of available-for-sale financial assets were based on cash flow discounted using the expected rate of return based on management judgement.

The fair value of the embedded derivatives of the 2019 Convertible Bonds was valued by estimating the fair values of the whole bonds with and without the embedded derivatives.

The market price of the Company's share was HK\$2.68 as at 30 June 2016, if the market price of the Company's share had been HK\$1 higher/lower than that at 30 June 2016, the fair value of the embedded derivatives of the 2019 Convertible Bonds would have increased/decreased by RMB20,299,000 and RMB3,524,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2016, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB15,964,000 and RMB3,524,000, respectively. If the volatility rate had been 1% higher/lower than management's estimates at 30 June 2016, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB740,000 and RMB742,000, respectively.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 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	
	2016	2015
	RMB'000	RMB'000
100% juice products	<b>892,455</b>	525,830
Nectars	<b>730,272</b>	582,168
Juice drinks	<b>461,120</b>	587,828
Water and other beverage products	<b>602,650</b>	885,087
	<b>2,686,497</b>	2,580,913

The Group made barter sales of approximately RMB29,361,000 during the six months ended 30 June 2016 mainly in exchange for property, plant and equipment (corresponding period in 2015: RMB15,299,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 7 Property, plant and equipment

	Unaudited RMB'000
<b>Six months ended 30 June 2016</b>	
<b>Opening net book amount as at 1 January 2016</b>	<b>6,433,821</b>
Additions	289,086
Disposals	(21,845)
Depreciation charge (Note 18)	(228,742)
<hr/>	
<b>Closing net book amount as at 30 June 2016</b>	<b>6,472,320</b>
<hr/>	
<b>Six months ended 30 June 2015</b>	
<b>Opening net book amount as at 1 January 2015</b>	6,730,941
Additions	648,829
Disposals	(7,480)
Disposal of subsidiaries (Note 26)	(897,124)
Depreciation charge (Note 18)	(261,348)
<hr/>	
<b>Closing net book amount as at 30 June 2015</b>	<b>6,213,818</b>
<hr/>	

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 8 Intangible assets

	Unaudited				
	Sales distribution network RMB'000	Goodwill RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
<b>Six months ended 30 June 2016</b>					
<b>Opening net book amount</b>					
as at 1 January 2016	127,595	3,927,131	105,758	1,731	4,162,215
Amortisation (Note 18)	(8,342)	—	(2,965)	(113)	(11,420)
<b>Closing net book amount</b>					
as at 30 June 2016	119,253	3,927,131	102,793	1,618	4,150,795
<b>Six months ended 30 June 2015</b>					
<b>Opening net book amount</b>					
as at 1 January 2015	146,499	3,941,580	111,689	1,152	4,200,920
Disposal of subsidiaries (Note 26)	—	(14,449)	—	—	(14,449)
Amortisation (Note 18)	(10,518)	—	(2,964)	(78)	(13,560)
<b>Closing net book amount</b>					
as at 30 June 2015	135,981	3,927,131	108,725	1,074	4,172,911

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 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 RMB'000
<b>Six months ended 30 June 2016</b>	
<b>Opening net book amount as at 1 January 2016</b>	<b>951,379</b>
Additions	3,906
Amortisation of charge (Note 18)	(10,884)
<b>Closing net book amount as at 30 June 2016</b>	<b>944,401</b>
<b>Six months ended 30 June 2015</b>	
<b>Opening net book amount as at 1 January 2015</b>	1,099,054
Additions	40,893
Amortisation of charge (Note 18)	(12,098)
Disposal of subsidiaries (Note 26)	(167,050)
<b>Closing net book amount as at 30 June 2015</b>	<b>960,799</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 10 Trade and other receivables

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade receivables (a)	<b>2,466,512</b>	1,685,798
Related parties (Note 27(c))	<b>69,171</b>	65,444
Third parties	<b>2,570,156</b>	1,741,856
Less: Provision for impairment of trade receivables	<b>(172,815)</b>	(121,502)
Bills receivable — third parties	<b>9,269</b>	21,027
Prepayments of raw materials and others	<b>308,372</b>	324,067
Related parties (Note 27(c))	<b>110,535</b>	88,786
Third parties	<b>197,837</b>	235,281
Deductible value added tax — input balance	<b>41,685</b>	45,873
Other receivables	<b>54,814</b>	50,370
Related parties (Note 27(c))	<b>27,639</b>	3,652
Third parties	<b>34,889</b>	50,936
Less: Provision for impairment of other receivables	<b>(7,714)</b>	(4,218)
	<b>2,880,652</b>	2,127,135

The carrying amounts of receivables approximate their fair value.

- (a) Certain customers of the Group, including selected distributors, supermarkets and OEM customers, are granted credit terms as agreed in 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 2016 and 31 December 2015, the aging analysis of trade receivables was as follows:

#### — Third parties

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 3 months	<b>1,608,226</b>	1,226,832
Between 4 and 6 months	<b>195,599</b>	119,749
Between 7 and 12 months	<b>520,971</b>	255,815
Between 1 and 2 years	<b>184,792</b>	71,987
Over 2 years	<b>60,568</b>	67,473
	<b>2,570,156</b>	1,741,856

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 10 Trade and other receivables (Continued)

(a) (Continued)

#### — Related parties

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 3 months	53,354	38,183
Between 4 and 6 months	11,830	21,330
Over 6 months	3,987	5,931
	<b>69,171</b>	65,444

### 11 Restricted cash and short-term bank deposits

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Restricted cash		
— deposit for note payables	—	40,000
— pledged for letter of credits	15,830	10,350
	<b>15,830</b>	50,350
Short-term bank deposits	1,723,052	574,057
	<b>1,738,882</b>	624,407

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 12 Share capital and share premium

	Number of shares of USD0.00001 each	Share capital RMB'000	Share premium RMB'000	Convertible preference shares RMB'000	Total RMB'000
<b>Six months ended 30 June 2016</b>					
At 1 January 2016	2,546,392,517	181	8,341,716	541,474	8,883,371
Shares converted from convertible preference shares	125,326,877	8	541,466	(541,474)	—
At 30 June 2016	2,671,719,394	189	8,883,182	—	8,883,371
<b>Six months ended 30 June 2015</b>					
At 1 January and 30 June 2015	2,532,274,182	180	8,303,542	541,474	8,845,196

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.

During the year ended 31 December 2014, CPS with carrying value of HK\$2,893,800,000 (equivalent to approximately RMB2,289,864,000) were converted into 530,000,000 ordinary shares of the Company.

On 30 March 2016, all the remaining CPS with carrying value of HK\$684,285,000 (equivalent to approximately RMB541,474,000) were converted into 125,326,877 ordinary shares of the Company.

As at 30 June 2016, there was no CPS outstanding.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 13 Trade and other payables

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade payables (a)	<b>1,534,244</b>	1,305,159
Related parties (Note 27(c))	<b>68,253</b>	47,936
Third parties	<b>1,465,991</b>	1,257,223
Other payables	<b>877,788</b>	715,026
Related parties (Note 27(c))	<b>1,768</b>	1,768
Third parties	<b>876,020</b>	713,258
	<b>2,412,032</b>	2,020,185

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade and other payables		
Non-current	<b>35,135</b>	55,135
Current	<b>2,376,897</b>	1,965,050
	<b>2,412,032</b>	2,020,185



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 13 Trade and other payables (Continued)

(a) Aging analysis of trade payables was as follows:

— Third parties

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 3 months	<b>1,378,418</b>	1,036,835
Between 4 and 6 months	<b>35,764</b>	133,433
Between 7 and 12 months	<b>41,764</b>	71,253
Between 1 and 2 years	<b>8,611</b>	14,403
Over 2 years	<b>1,434</b>	1,299
	<b>1,465,991</b>	1,257,223

— Related parties

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 3 months	<b>55,992</b>	34,637
Between 4 and 6 months	<b>3,049</b>	5,889
Between 7 and 12 months	<b>6,411</b>	5,646
Between 1 and 2 years	<b>1,037</b>	1,764
Over 2 years	<b>1,764</b>	—
	<b>68,253</b>	47,936

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Non-current</b>		
Bank borrowings (a)	901,519	882,930
Corporate bonds (b)	1,487,079	1,417,377
Finance lease liabilities (c)	217,398	202,687
	<b>2,605,996</b>	2,502,994
<b>Current</b>		
Bank borrowings (a)	1,903,861	1,854,341
Corporate bonds (b)	600,000	—
Finance lease liabilities (c)	61,264	53,713
	<b>2,565,125</b>	1,908,054
<b>Total borrowings</b>	<b>5,171,121</b>	4,411,048
	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Unsecured	5,171,121	4,411,048

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings (Continued)

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
<b>Six months ended 30 June 2016</b>	
Opening amount as at 1 January 2016	4,411,048
Proceeds from bank borrowings	280,000
Proceeds from issuance of corporate bonds	592,657
Repayments of bank borrowings	(264,631)
Effect of change in exchange rate	120,046
Corporate bonds — interest expenses	21,057
Finance lease liabilities — addition	45,304
Finance lease liabilities — repayment	(43,509)
Finance lease liabilities — interest expenses	9,149
<b>Closing amount as at 30 June 2016</b>	<b>5,171,121</b>
<b>Six months ended 30 June 2015</b>	
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 26)	(43,242)
Finance lease liabilities — addition	100,256
Finance lease liabilities — interest expenses	234
<b>Closing amount as at 30 June 2015</b>	<b>3,900,124</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings (Continued)

#### (a) Bank borrowings

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
RMB	299,698	258,870
USD	2,505,682	2,478,401
	<b>2,805,380</b>	2,737,271

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within 6 months	16,736	317,934
6–12 months	2,788,644	2,419,337
	<b>2,805,380</b>	2,737,271

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

	Unaudited 30 June 2016	Audited 31 December 2015
Bank borrowings	4.90%	5.53%

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 bank borrowings approximate their fair values since the maturity is no more than 1 year.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings (Continued)

#### (b) Corporate bonds

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
The 2018 Bonds (i)	1,487,079	1,417,377
The 2019 Bonds (ii)	600,000	—
	<b>2,087,079</b>	1,417,377

#### (i) The 2018 Bonds

On 7 July 2015, the Company issued 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 EUR197,935,000 (equivalent to approximately RMB1,341,405,000). The 2018 Bonds bear interest rate at 1.55% per annum.

The 2018 Bonds recognised in the condensed consolidated balance sheet was calculated as follows:

	Unaudited RMB'000
<b>Six months ended 30 June 2016</b>	
As at 1 January 2016	1,417,377
Interest expenses	13,714
Effect of change in exchange rate	55,988
	<b>1,487,079</b>
As at 30 June 2016	<b>1,487,079</b>

The face value of the 2018 Bonds as at 30 June 2016 is EUR200,000,000 (equivalent to approximately RMB1,475,000,000) (at 31 December 2015: EUR200,000,000 and equivalent to approximately RMB1,419,040,000). The carrying value of the 2018 Bonds is calculated using cash flows discounted at an effective interest rate of 1.91% per annum.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings (Continued)

#### (b) Corporate bonds (Continued)

##### (ii) The 2019 Bonds

On 5 May 2016, the Company issued corporate bonds due 5 May 2019 in an aggregate principal amount of RMB600,000,000 and raised a net proceeds of RMB592,657,000. The 2019 Bonds bear interest rate at 7.6% per annum.

The 2019 Bonds recognised in the condensed consolidated balance sheet was calculated as follows:

	Unaudited RMB'000
<b>Six months ended 30 June 2016</b>	
Face value of the 2019 Bonds issued on 5 May 2015	600,000
Issuing expenses	(7,343)
<hr/>	
Net proceeds for the issuance of the 2019 Bonds	592,657
<hr/>	
Interest expenses	7,343
<hr/>	
As at 30 June 2016	600,000
<hr/>	

The face value of the 2019 Bonds as at 30 June 2016 is RMB600,000,000. The carrying value of the 2019 Bonds is calculated using cash flows discounted at an effective interest rate of 8.08% per annum.

At the first and the second anniversaries of the date of issuance, the Company is entitled to adjust the coupon rate of the 2019 Bonds whereas the bondholders are entitled to require the Company to redeem all or part of the 2019 Bonds at the face value.

As at 30 June 2016, the 2019 Bonds have been classified as current liabilities due to the redemption option of the bondholders at the first anniversary of the date of issuance.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 14 Borrowings (Continued)

#### (c) Finance lease liabilities

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Gross finance lease liabilities — minimum lease payments:		
No later than 1 year	<b>73,831</b>	65,041
Later than 1 year and no later than 2 years	<b>70,875</b>	62,921
Later than 2 year and no later than 5 years	<b>167,237</b>	174,034
	<b>311,943</b>	301,996
Future finance charges on finance leases	<b>(33,281)</b>	(45,596)
Present value of finance lease liabilities	<b>278,662</b>	256,400

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
The present value of finance lease liabilities was as follows:		
No later than 1 year	<b>61,264</b>	53,713
Later than 1 year and no later than 2 years	<b>61,264</b>	53,713
Later than 2 year and no later than 5 years	<b>156,134</b>	148,974
	<b>278,662</b>	256,400

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 15 Convertible bonds

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Current</b>		
The 2016 Convertible Bonds (a)	—	219,536
The 2019 Convertible Bonds (b)	<b>818,266</b>	—
	<b>818,266</b>	219,536
<b>Non-current</b>		
The 2019 Convertible Bonds (b)	—	906,996

#### (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 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 2015.

On 29 April 2014, the Company redeemed an aggregate principal amount of US\$117,300,000 of the 2016 Convertible Bonds upon exercise of the redemption option by the bondholders.

On 29 April 2016, the Company redeemed all the remaining principal amount of US\$32,700,000 of the 2016 Convertible Bonds upon its maturity, at the redemption price of US\$34,531,000 (105.6% of US\$32,700,000, equivalent to approximately RMB224,225,000).

As at 30 June 2016, there was no 2016 Convertible Bonds outstanding.



### 15 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 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 2015.

As at 30 June 2016, 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 of the 2019 Convertible Bonds was determined using the binomial valuation model.

The gain on change in fair value of the embedded derivatives (conversion component) of the 2019 Convertible Bonds for the six months ended 30 June 2016 of RMB108,850,000 (corresponding period in 2015: a loss of RMB98,193,000) and the amortisation of deferred loss on embedded derivatives of RMB8,649,000 (corresponding period in 2015: RMB8,088,000) were recognised as “unrealised gain 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 2016 amounted to RMB53,368,000 (corresponding period in 2015: RMB45,259,000), which was calculated using the effective interest method with an effective interest rate of 13.95%.

As at 30 June 2016, the 2019 Convertible Bonds have been reclassified as current liabilities due to the redemption option of the holders on 31 March 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 15 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 2016 and 2015 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds			Total convertible bonds
	Liability component	Embedded derivatives	Subtotal	Liability component	Embedded derivatives	Subtotal	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Six months ended 30 June 2016</b>							
As at 1 January 2016	219,536	—	219,536	803,271	103,725	906,996	1,126,532
Change in fair value of embedded derivatives	—	—	—	—	(108,850)	(108,850)	(108,850)
Amortisation of deferred loss on embedded derivatives	—	—	—	—	8,649	8,649	8,649
Redemption of convertible bonds	(224,225)	—	(224,225)	—	—	—	(224,225)
Interest expense	8,929	—	8,929	53,368	—	53,368	62,297
Interest paid	(4,240)	—	(4,240)	(58,474)	—	(58,474)	(62,714)
Unrealised exchange loss	—	—	—	16,577	—	16,577	16,577
As at 30 June 2016	—	—	—	814,742	3,524	818,266	818,266
<b>Six months ended 30 June 2015</b>							
As at 1 January 2015	184,710	1,242	185,952	664,287	10,143	674,430	860,382
Change in fair value of embedded derivatives	—	4,580	4,580	—	98,193	98,193	102,773
Amortisation of deferred loss on embedded derivatives	—	—	—	—	8,088	8,088	8,088
Interest expense	15,068	—	15,068	45,259	—	45,259	60,327
Interest paid	(4,002)	—	(4,002)	—	—	—	(4,002)
Unrealised exchange gain	(159)	—	(159)	(586)	—	(586)	(745)
As at 30 June 2015	195,617	5,822	201,439	708,960	116,424	825,384	1,026,823

- (d) According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the 2019 Convertible Bonds at 30 June 2016 amounted to RMB966,461,000, which is calculated using cash flows discounted at a rate of 7.08%.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 16 Other income — net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Government subsidy income	<b>90,201</b>	47,302
Net income from sales of materials and scrap	<b>6,048</b>	33,518
Amortisation of deferred government grants	<b>667</b>	29,276
Interest income from available-for-sale financial assets	<b>4,532</b>	—
Loss on disposals of property, plant and equipment	<b>(2,193)</b>	(254)
Others	<b>3,212</b>	3,744
	<b>102,467</b>	113,586

### 17 Other gains — net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Gain on disposal of subsidiaries (Note 26)	—	302,699

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 18 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Raw materials used and changes in inventories	<b>1,200,561</b>	1,227,858
Advertising and other marketing expenses	<b>458,259</b>	467,695
Employee benefit expense	<b>277,732</b>	345,719
Depreciation of property, plant and equipment (Note 7)	<b>228,742</b>	261,348
Transportation and related charges	<b>110,752</b>	116,253
Water and electricity	<b>101,304</b>	114,128
Impairment loss for trade and other receivables	<b>54,809</b>	22,486
City construction tax, property tax and other tax surcharges	<b>44,567</b>	44,608
Rental expenses	<b>25,454</b>	23,170
Repairs and maintenance	<b>20,085</b>	29,369
Travelling expense	<b>17,194</b>	26,309
Amortisation of intangible assets (Note 8)	<b>11,420</b>	13,560
Amortisation of land use rights (Note 9)	<b>10,884</b>	12,098
Office and communication expenses	<b>8,378</b>	22,825
Impairment loss of inventories	<b>2,102</b>	29
Other expenses	<b>16,831</b>	18,674
Total cost of sales, selling and marketing expenses and administrative expenses	<b>2,589,074</b>	2,746,129

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 19 Finance expenses

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expenses:		
— Bank borrowings	93,572	127,148
— Finance lease liabilities	9,149	234
— Convertible bonds (Note 15(c))	62,297	60,327
— Corporate bonds	21,057	—
Exchange loss (excluding convertible bonds)	105,020	—
Exchange loss on liability component of convertible bonds (Note 15(c))	16,577	—
Less: Interest and exchange loss capitalised	(24,011)	(25,040)
	<b>283,661</b>	162,669
Weighted average effective interest rates used to calculate capitalisation amount	5.46%	5.41%

### 20 Finance income

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income from bank deposits	28,365	11,949
Exchange gain (excluding convertible bonds)	—	4,314
Exchange gain on liability component of convertible bonds (Note 15(c))	—	745
	<b>28,365</b>	17,008

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 21 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	<b>14,843</b>	98,639
Deferred income tax credit	<b>(1,444)</b>	(3,243)
	<b>13,399</b>	95,396

#### (a) Cayman Islands income tax

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

#### (b) British Virgin Islands (B.V.I.) Income tax

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

(c) Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong during the six months ended 30 June 2016 and 2015.

(d) 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 2016 and 2015 since the Group plans to reinvest such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

(e) According to Enterprise Income Tax Law approved by National People's Congress (NPC) on 16 March, 2007, the PRC enterprise income tax rate is 25%. Certain subsidiaries of the Group whose major business is related to processing of agricultural products are exempted from income taxes after approval of the local competent tax authorities.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 22 Earnings/(loss) per share

#### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2016	2015
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company:		
Basic earnings/(loss) attributable to ordinary shares	<b>30,651</b>	(93,045)
Basic earnings/(loss) attributable to convertible preference shares	<b>720</b>	(4,605)
	<b>31,371</b>	(97,650)

	Unaudited Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2016	2015	2016	2015
Weighted average number of shares outstanding for basic earnings/(loss) per share (thousands) (i)	<b>2,610,433</b>	2,532,275	<b>61,286</b>	125,327

- (i) On 30 March 2016, 125,326,877 convertible preference shares have been converted into 125,326,877 ordinary shares of the Company (Note 12).

	Unaudited Six months ended 30 June	
	2016	2015
Basic earnings/(loss) per ordinary share (RMB cents)	<b>1.2</b>	(3.7)
Basic earnings/(loss) per convertible preference share (RMB cents)	<b>1.2</b>	(3.7)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 22 Earnings/(loss) per share (Continued)

#### (b) Diluted

Diluted earnings/(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.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company	<b>31,371</b>	(97,650)
Add: Interest expense relating to the 2019 Convertible Bonds	<b>53,368</b>	—*
Add: Unrealised exchange loss relating to the 2019 Convertible Bonds	<b>16,577</b>	—*
Less: Fair value change in the embedded derivatives of the 2019 Convertible Bonds	<b>(100,201)</b>	—*
Profit/(loss) attributable to equity holders of the Company, used to determine diluted earnings/(loss) per share	<b>1,115</b>	(97,650)
Diluted earnings/(loss) attributable to ordinary shares	<b>1,091</b>	(93,045)
Diluted earnings/(loss) attributable to convertible preference shares	<b>24</b>	(4,605)
	<b>1,115</b>	(97,650)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 22 Earnings/(loss) per share (Continued)

#### (b) Diluted (Continued)

	Unaudited Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2016	2015	2016	2015
Weighted average number of shares outstanding for basic earnings/(loss) per share (thousands)	<b>2,610,433</b>	2,532,275	<b>61,286</b>	125,327
Adjustment for the 2019 Convertible Bonds (thousands)	<b>219,980</b>	—*	—	—*
Weighted average number of shares outstanding for diluted earnings/(loss) per share (thousands)	<b>2,830,413</b>	2,532,275	<b>61,286</b>	125,327
	Unaudited Six months ended 30 June			
			2016	2015
Diluted earnings/(loss) per ordinary share (RMB cents)			<b>0.0</b>	(3.7)
Diluted earnings/(loss) per convertible preference share (RMB cents)			<b>0.0</b>	(3.7)

\* 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 22 Earnings/(loss) per share (Continued)

#### (b) Diluted (Continued)

For the purpose of calculating diluted earnings/(loss) per share for the six months ended 30 June 2016 and 2015:

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

### 23 Dividends

The board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2016 (corresponding period in 2015: nil).

### 24 Contingent liabilities

During the six months ended 30 June 2016, the Group has been defending certain litigations. No provision in relation to these claims has been recognised in this condensed interim financial information, as legal advice indicates that it is not probable that a significant liability will arise.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 25 Commitments

#### (a) Capital commitments

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Purchase of property, plant and equipment	<b>69,144</b>	241,216

#### (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 2016 RMB'000	Audited 31 December 2015 RMB'000
No later than 1 year	<b>6,898</b>	5,850
Later than 1 year and no later than 5 years	<b>17,550</b>	25,400
	<b>24,448</b>	31,250

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 26 Disposal of subsidiaries

On 18 June 2015, the Group entered into an equity transfer agreement with Beijing Founder Fubon Crown Asset Management Co. Ltd., to transfer its entire equity interests in the 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 were wholly-owned subsidiaries of the Company), for a total cash consideration of RMB1,812,000,000. As of 30 June 2015, the disposal of equity interest of the Disposed Entities has been completed.

	<b>30 June 2015 RMB'000</b>
<b>Consideration satisfied by</b>	
Cash	500,000
Consideration receivable — other receivable	1,312,000
	<hr/> 1,812,000
<b>Gain on disposal of the Disposed Entities</b>	
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 the six months ended 30 June 2016

### 26 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)
<b>Net assets of the Disposed Entities</b>	<b>1,509,301</b>

#### **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)
<b>Cash inflows on the disposal during the six months ended 30 June 2015</b>	<b>487,632</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 27 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.
- (b) The following transactions were carried out with related parties:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Sales of goods and services</b>		
Sales of products, raw materials and services to associates	<b>55,567</b>	64,805
Sales of products and raw materials to a joint venture	<b>3,251</b>	7,484
Sales of recyclable containers to companies beneficially owned by Mr. Zhu Xinli	<b>165</b>	10,200
Sales of products to companies beneficially owned by a key management of the Group	<b>6,419</b>	—
	<b>65,402</b>	82,489
<b>Purchase of materials and services</b>		
Purchase of products and raw materials from an associate	<b>141,385</b>	169,798
Purchase of transportation service from companies beneficially owned by Mr. Zhu Xinli	<b>67,476</b>	72,525
Purchase of raw materials from companies beneficially owned by Mr. Zhu Xinli	—	76,977
Purchase of products and raw materials from a joint venture	<b>10,684</b>	5,195
	<b>219,545</b>	324,495

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 27 Related-party transactions (Continued)

(b) (Continued)

#### *Key management compensation*

Key management include directors (executive and non-executives) and members of executive committees. The compensation paid or payable to key management for employee services is shown below:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and bonuses	<b>4,823</b>	5,469
Contributions to pension plan	<b>91</b>	211
Welfare and other expenses	<b>155</b>	123
Share-based compensation	<b>149</b>	429
	<b>5,218</b>	6,232

During the six months ended 30 June 2016 and 2015, 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2016

### 27 Related-party transactions (Continued)

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

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade receivables	10	69,171	65,444
Other receivables and prepayments	10	138,174	92,438
Trade payables	13	68,253	47,936
Other payables	13	1,768	1,768

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

### 28 Events after the balance sheet date

According to the bond offering document issued by the Company on 25 August 2016, the Company will issue the second tranche of the 2019 Bonds to a group of financial institutions of an aggregate amount from RMB500,000,000 up to RMB1,400,000,000. The final aggregate principal amount and the coupon rate of the second tranche of the 2019 Bonds will be subject to market conditions and qualified investors' interests. The second tranche of the 2019 Bonds will mature no more than 3 years from the date of issuance.



# 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

## 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.