中國滙源果汁集團有限公司

China Huiyuan Juice Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1886

2016 ANNUAL REPORT

About Us

China Huiyuan Juice Group Limited (the "Company", together with its subsidiaries, collectively as the "Group" or "Huiyuan Juice" or "Huiyuan"), a leading vertically-integrated fruit and vegetable juice producer in China, is principally engaged in the production and sales of concentrated juice, puree, fruit juice, fruit and vegetable juice, beverage, water and other drinks. For the time being, the Group's 100% juice and nectars are well recognized in the market. According to the research on Chinese consumer packaged goods sector conducted by Nielsen for 2016, the Group's 100% juice and nectars enjoyed market shares of 53.4% and 38.3%, respectively, each by sales volume.

As at 31 December 2016, the Group had 35 subsidiaries with 4,266 employees. We continue to improve our sales network across the nation in three modes of direct-sales, sales offices and distributors, and to further construct sales channels and expand sales point coverage, such that the Group's products of all categories can penetrate through the whole country.

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

Contents

汇源
果肉多
Pulpy Juice
山楂复合果肉饮料
净含量:2.5L
100%
橙汁
ORANGE JUICE
全球优果
净含量:1L
果肉多
Pulpy Juice
桃复合果肉饮料
50%
净含量:1L
新柑
萌果星球

Corporate Information

Board of Directors

Executive Directors
Mr. Zhu Xinli *(Chairman)*
Ms. Zhu Shengqin
Mr. Cui Xianguo

Non-executive Director
Mr. Andrew Y. Yan

Independent Non-executive Directors
Mr. Leung Man Kit
Mr. Song Quanhou
Ms. Zhao Yali
Mr. Wang Wei

Company Secretary

Ms. Mok Ming Wai

Authorized Representatives

Mr. Zhu Xinli
Ms. Mok Ming Wai

Financial Management and Audit Committee

Mr. Leung Man Kit *(Chairman)*
Mr. Song Quanhou
Mr. Wang Wei

Remuneration and Nomination Committee

Mr. Song Quanhou *(Chairman)*
Mr. Leung Man Kit
Mr. Andrew Y. Yan

Registered Office

P.O. Box 31119
Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman KYI-1205
Cayman Islands

Head Office

Huiyuan Road, Beixiaoying Town,
Shunyi District
Beijing, PRC

Registered Address in Hong Kong

Edinburgh Tower, 33/F, The Landmark
15 Queen's Road Central
Hong Kong

Company Website

www.huiyuan.com.cn

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

Listing Exchange Information

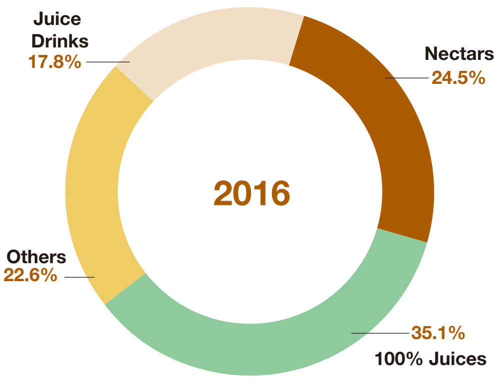
Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

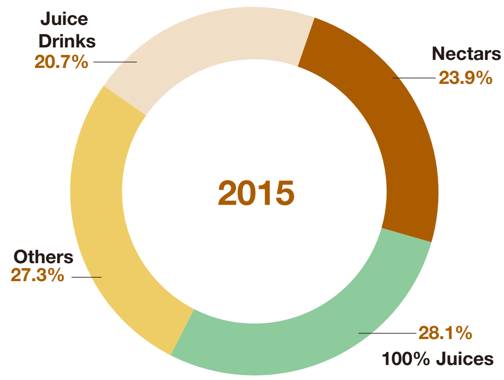
Principal Bankers

Bank of China

Financial Highlights

Percentage of total sales by product





Comparison of results of 2016 and 2015

	For the year ended 31 December (RMB'000)	
	2016	**2015**
Revenue	**5,741,396**	5,682,296
Gross profit	**2,334,149**	2,169,342
Profit/(Loss) attributable to equity holders	**13,280**	(228,816)
Adjusted profit attributable to equity holders (Note 1)	**289,672**	211,786
EBITDA (Note 2)	**1,081,909**	1,045,358
Earnings/(Loss) per share (RMB cents) (Note 3)		
— Basic	**0.5**	(8.6)
— Diluted	**0.5**	(8.6)
Proposed final dividend per share (RMB cents)	**—**	—

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 and share awards.

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

Note 3: Please refer to Note 32 to the Consolidated Financial Statements for the calculation of earnings/(loss) per share.

Financial Highlights (Continued)

Financial ratio

	For the year ended 31 December		
	2016	2015	Change
Return on equity holders' equity	**0.1%**	(2.2%)	+2.3%
Return on assets	**0.1%**	(1.3%)	+1.4%
Gearing ratio (total debt/equity holders' equity) (Note 1)	**70.0%**	53.9%	+16.1%

Operating ratio (Note 2)

	For the year ended 31 December		
	2016	2015	Change
Turnover of finished goods	**21 days**	22 days	-1 day
Turnover of raw materials	**104 days**	102 days	+2 days
Turnover of trade receivables	**151 days**	106 days	+45 days
Turnover of trade payables	**155 days**	130 days	+25 days

Note 1: The total debt includes total borrowings of RMB6,294.5 million as at 31 December 2016 (as at 31 December 2015: RMB4,411.0 million) and convertible bonds of RMB929.8 million as at 31 December 2016 (as at 31 December 2015: RMB1,126.5 million).

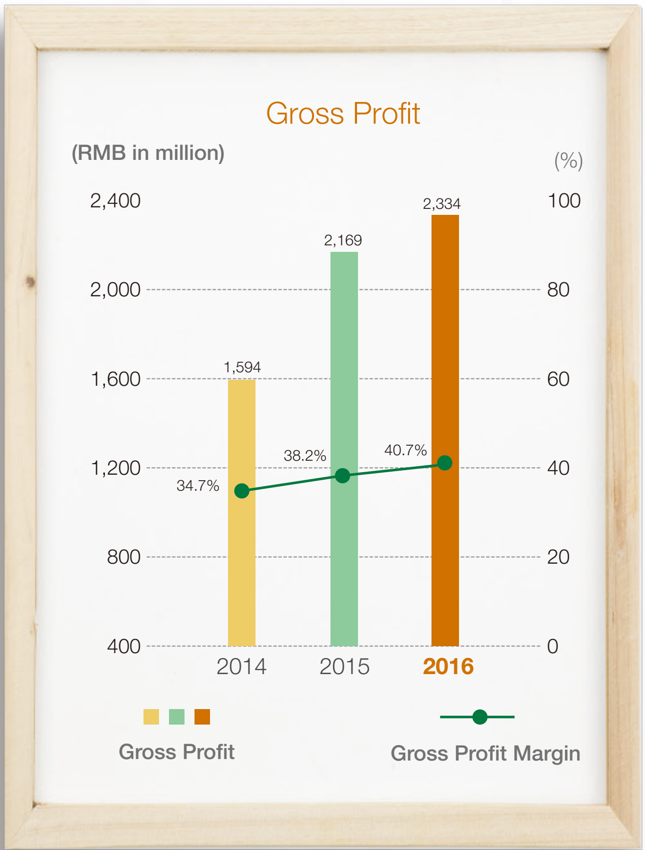
Note 2: The turnover of finished goods as at 31 December is calculated as the average balance of finished goods as at 1 January and 31 December divided by cost of sales for the year multiplied by 365 days.
The turnover of raw materials as at 31 December is calculated as the average balance of raw materials as at 1 January and 31 December divided by raw materials used for the year multiplied by 365 days.
The turnover of trade receivables as at 31 December is calculated as the total average balance of trade receivables and bills receivable as at 1 January and 31 December divided by revenue for the year multiplied by 365 days.
The turnover of trade payables as at 31 December is calculated as the total average balance of trade payables as at 1 January and 31 December divided by cost of sales for the year multiplied by 365 days.

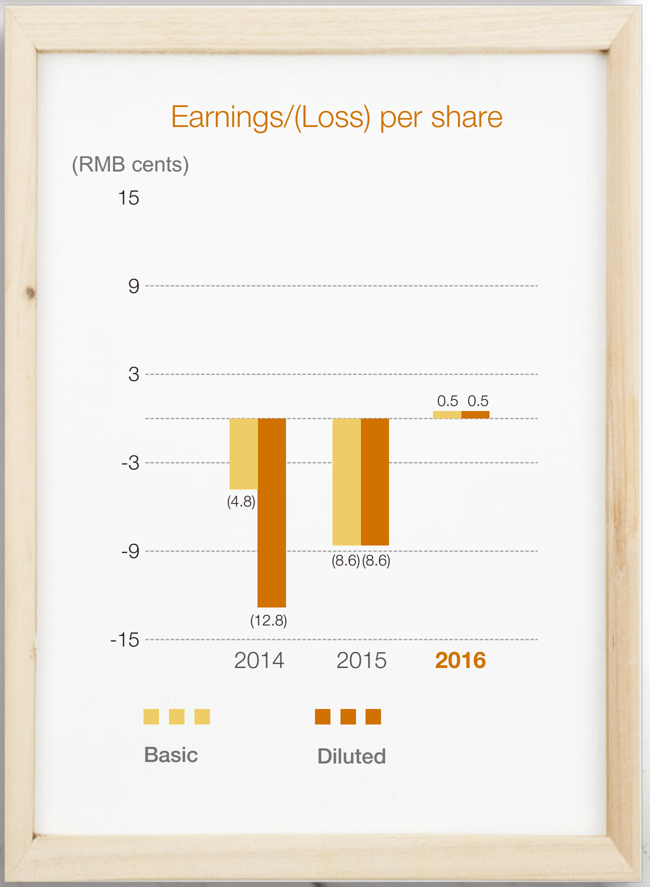
Five-year financial summary

	For the year ended 31 December (RMB million)				
	2016	2015	2014	2013	2012
Results					
Revenue	**5,741.4**	5,682.3	4,592.1	4,503.9	3,980.8
Gross profit	**2,334.1**	2,169.3	1,594.1	1,398.3	1,115.2
Profit/(loss) for the year	**11.9**	(228.8)	(127.0)	235.4	16.2
Gross profit margin	**40.7%**	38.2%	34.7%	31.0%	28.0%
Margin of profit/(loss) attributable to equity holders	**0.2%**	(4.0%)	(2.8%)	5.1%	0.4%
Profit/(loss) attributable to equity holders of the Company	**13.3**	(228.8)	(126.8)	228.5	16.2

	As at 31 December (RMB million)				
	2016	2015	2014	2013	2012
Assets, liabilities and equity					
Total assets	**20,456.9**	18,084.0	17,134.8	17,213.3	11,159.4
Total liabilities	**9,995.1**	7,662.1	6,535.1	6,488.8	5,873.2
Equity attributable to equity holders of the Company	**10,321.5**	10,280.2	10,458.0	10,576.5	5,286.2
Non-controlling interests in equity	**140.3**	141.7	141.7	148.0	—

Financial Highlights (Continued)





Chairman's Statement

Macroeconomic Environment

Amid the weak global economic growth in 2016, the PRC economy managed to ascend by 6.7% to maintain its steady growth momentum with consumption accounting for 45% of the GDP in 2016, taking a larger share year-on-year. In 2016, the total retail sales of social consumer goods increased by 10.4% over the corresponding period of last year and amounted to RMB33,000 billion, outpacing the GDP growth. Online retail is taking a larger portion in the retail sales of social consumer goods. People tend to consume superior products, together with the strong demand for food and beverage offering safety, healthy and grab-and-go attributes, are pushing consumption up further.

Corporate Mission and Value

With a good brand reputation and a complete vertically integrated industrial chain covering upstream and downstream, as well as being highly attentive to food safety, the Company is always on a mission to "benefit the agricultural industry, the peasants and the rural areas while nourishing the public". The Company purchases quality raw materials and employs advanced production technology to produce healthy and nutritious fruit and vegetable juice, which develops and pioneers millions of Chinese consumers to pick up the healthy habit of drinking fruit juice. Amid the prosperous mainland consumption market under the support of the government, the Company will adhere to its original mission while continuing to introduce new products and manufacture new nutritious products with good taste and fit for all.

Significant Events and Business Highlights:

In 2016, adhering to the principle of “delegating the power, specifying the responsibility, focusing on the key issues, and sharing the gains”, the Group moved further in reform and innovation. Under the active facilitation of product mix optimization, sales channels expansion, brand rejuvenation and high-end development, sales of core products realized a remarkable growth, resulted in higher revenue increase than the industry average.

In 2016, the Group continued its rejuvenation strategy. To accommodate the change in consumer behavior triggered by the “post-80s” becoming the dominant consumer group, the Group has devoted more effort in developing its online sales and marketing platform. The Group achieved a historic breakthrough in e-commerce sales by registering a year-on-year growth of 39.4%.

In 2016, the Group continued to optimize its product mix to focus on key products and embrace opportunities brought by consumption premiumisation. The contribution by pure juice, a core product category of the Group, to product sales was up by 7%.

In 2016, Suntory successfully achieved breakeven by implementing measures such as optimizing and upgrading product mix, polishing its pricing system as well as engaging in research and development of new and innovated products.

Chairman's Statement (Continued)

On 18 March 2016, a subsidiary of the Group entered into an agreement with a subsidiary of Yeo Hiap Seng Limited to establish a joint venture in Malaysia for developing the Malaysian and Southeast Asian beverage market collectively. Both parties intend to complement the strengths of each other in production management, sales network, proprietary technology, research, development and innovation as well as raw material supply. The joint venture, which is held as to 50% and 50% by each party, was established in January 2017. A board, comprising members from both parties, was set up to monitor the management and operation of the joint venture.

In 2016, the Group maintained its growth momentum in gross profit as demonstrated by the gross profit margin having increased by 2.5 percentage point and attaining historical high. The gross profit is mainly driven by the Group's judgment on external development trend and the rational internal resource allocation.

Awards and Honors:

In 2016, the Group scooped a number of awards and honors. The major awards and honors the Group won include the "Public Welfare Award of the 5th China Public Welfare Festival", "Most Elegant Brand – Quality Assurance Award", "Influential Food Brand in China" "Twelfth Five-Year Excellent Entity in Technological Innovation of National Light Industry", "Most Popular Food Brand of Consumer in 2016", "Demonstration Enterprise with National Quality and Integrity Standard", "2016 New Media Breakthrough Award", "Gold Bauhinia – The Listed Company with Highest Brand Value".

Operation Results:

The Company's results continued to maintain growth in 2016, which is faster than the overall growth of the juice industry. For the year ended 31 December 2016, the annual revenue reached RMB5,741 million, representing an increase of 1.0% as compared with 2015. Meanwhile, sales of 100% juice amounted to RMB2,018 million, representing an increase of 26.3% as compared with 2015. Sales of juice drinks amounted to RMB1,408 million, representing an increase of 3.9% as compared with 2015. Benefited from the continuous increase of sales revenue and constant improvement of product structure, the Company's gross profit margin increased from 38.2% in 2015 to 40.7% in 2016, which ensured a steady development of the Company.

Market and Product:

The Company has been focusing on the fruit and vegetable juice industry since its establishment, and had always been a leading brand of China's juice industry. According to Nielsen Marketing Research in China, in terms of sales amount, the market shares of 100% juices and nectars of the Company were 53.4% and 38.3%, respectively, being top in market shares for ten consecutive years.

In order to consolidate its leading position in the 100% juice and nectar market, the Company introduced an ambient NFC product "鮮果原汁" and a 100% juice product "Fruit Planet" during the year. Other than this, the Company also continued to introduce new products with differentiated flavors, such as "維+" vitamin drink, "樂碱" natural soda water and "藏淨泉" natural mineral water, to accommodate the rapid changing demand of the consumers and the consumption trend in pursuit of healthy, nutritious and convenient products.

Chain of Distribution and Supply:

In 2016, the Group's sales system included distributors, sales offices and direct-operated branches. In addition, there were special channels such as e-commerce, airline, fruit processing and key accounts. Offline channels operated mainly by distributors covered over 90% of prefecture-level cities and over 50% of county-level cities, number of sales points reached approximately 3 million. In 2016, e-commerce channels grew rapidly and recorded more than 30% growth in sales as compared with the same period of last year.

Prospects

Looking ahead to 2017, the trend of consumption premiumisation in China is increasingly significant. As the "post-80s" has become the largest group of consumers, their unique consumption habits stimulate the growth of the demand for safe, healthy and instant juice in the Chinese market. Higher juice content and higher average retail price will continue to be the trend in juice consumption. The proportion of pure juice will keep growing in the sales of juice industry. Currently, the performance of juice drinks with the largest proportion in the sales of juice industry remains weak, thus 2017 will be a flat year in term of overall sales of the juice market.

Under such circumstances, the Company will further implement and upgrade its strategies in order to accommodate the rapid and healthy development of the consumption market in China. Firstly, we will remain focused on our core business, consolidate our leading position in the 100% juice market, pioneer consumption trend in the industry by actively expanding innovative products and interact with consumers. Secondly, we will enhance lean production through professional and informational management and control to guarantee product quality. Thirdly, we will broaden sales network through various channels, enter into international business cooperation in all aspects, and upgrade marketing campaigns with the use of Internet+. Finally, we will proactively carry out our social responsibility, serving the consumers and the society while increasing our brand's recognition. In the coming year, the Company will maximize our corporate value and bring about stable and long-term returns to our shareholders.

Management Discussion and Analysis

MARKET REVIEW FOR YEAR 2016

Market Review

The gross domestic product (GDP) for the year amounted to RMB77.41 trillion, representing an increase of 6.7% as compared with the same period in 2015. The proportion contributed by the service sector in the GDP was increased to 51.6%, constituting over one half of the GDP for the first time. China's total retail sales of social consumer goods was RMB33.2 trillion. Consumption contributed to 64.6% of economic growth, representing an increase of 1.8% as compared with 2015, becoming the dominant driving force of economic growth. The economic growth in China continues the transition from driven by investment and foreign trade to primarily driven by domestic demand, especially consumption.

In 2016, the income level of citizens increased steadily. The per capita disposable income for the year amounted to RMB23,821, representing a nominal growth of 8.4% as compared with 2015 which surpasses the economic growth rate and achieved an actual growth of 6.3% netting fluctuation of price. China's per capita consumer spending increased by 8.9% to RMB17,111. The consumer price for the year increased by 2.0% as compared with 2015. China's online sales for the year increased by 26.2% as compared with 2015, amounting to over RMB5.16 trillion, more than doubling the offline sales in the corresponding period, becoming the main growth driver of the retail industry in PRC. As the national employment situation remains stable in the end of 2016, the per capita income and consumer confidence index improved; these forces altogether acted to support steady growth of consumption in China.

In 2016, China continued to implement laws and regulations in relation to food safety. During this year, China issued and implemented 300 food-related regulations, which include the Measures for the Administration of Food and Drug Complaints and Reports promulgated on 5 January 2016, the Measures of Investigation and Handling of Illegal Acts Involving Online Food Safety promulgated on 13 July 2016, the Suggestions for Promoting Improvement of Tracing System for Food and Drug Manufacturers promulgated on 22 September 2016, the Notice on Establishment of Professional Technical Committee for Food Production Licensing promulgated on 20 December 2016 and other law and regulations. Food safety has gained attention at the national level. Safety and health concerns continue to drive the industry's overall consumption upgrade, and pointed out the way for the future development of the food and beverage industry.

Benefitting from the consumption upgrade trend, the Company with its long-standing history of development, established brand reputation, fully vertically integrated supply chain, as a company that has always paid close attention to good safety and quality control, will move on to further consolidate our leading position in the industry.

According to Nielsen, the Group had a 53.4% and 38.3% share of the PRC market by sales volume in terms of 100% juice and nectars for 2016, respectively, maintaining its leading position in the respective markets.

The following table (as extracted from Nielsen's report) shows Huiyuan's market share in each of 100% juice, nectar and juice drink in China in 2016.

	Market Share	
	By Volume	By Value
2016	(%)	(%)
100% Juice		
Huiyuan Juice	**53.4**	**44.2**
Second ranked competitor	29.5	36.4
Third ranked competitor	3.7	3.5
Fourth ranked competitor	1.4	1.9
Fifth ranked competitor	0.4	1.5
26%–99% Concentration(Note 1)		
Huiyuan Juice	**38.3**	**28.3**
Second ranked competitor	24.5	19.9
Third ranked competitor	8.2	9.9
Fourth ranked competitor	3.6	4.8
Fifth ranked competitor	0.8	3.1
25% or Below Concentration(Note 1)		
First ranked competitor	34.9	34.2
Second ranked competitor	23.1	22.9
Third ranked competitor	20.9	17.6
Fourth ranked competitor	4.7	7.3
Fifth ranked competitor	4.2	4.0
Huiyuan Juice	**2.4**	**2.2**

Note:

(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's information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer food industry. This information should not be viewed as a basis for investments and references to Nielsen's information should not be considered as Nielsen's opinion as to the value of any securities or the advisability of investments in the company."

Financial Review

Overview

The key financial indicators of the Group are as follows:

	Year ended 31 December		Year-on-year change
	2016	2015	(%)
Income statement items			
(Expressed in RMB'000 unless otherwise stated)			
Revenue	**5,741,396**	5,682,296	1.0
Gross profit	**2,334,149**	2,169,342	7.6
Profit/(loss) attributable to equity holders	**13,280**	(228,816)	—
Adjusted profit attributable to equity holders	**289,672**	211,786	36.8
EBITDA	**1,081,909**	1,045,358	3.5
Earnings/(loss) per share attributable to the ordinary shareholders of the Company during the year (Note 1)			
(expressed in RMB cents per share)			
— basic	**0.5**	(8.6)	
— diluted	**0.5**	(8.6)	
Earnings/(loss) per share attributable to the preference shares holders of the Company during the year			
(expressed in RMB cents per share)			
— basic	**0.5**	(8.6)	
— diluted	**0.5**	(8.6)	
Selected financial ratios			
Gross profit margin (%)	**40.7%**	38.2%	
Margin of profit/(loss) attributable to equity holders (%)	**0.2%**	(4.0%)	
EBITDA margin (%)	**18.8%**	18.4%	
Return on equity holders' equity (%)	**0.1%**	(2.2%)	
Gearing ratio (total debt to equity holders' equity) *(Note 2)*	**70.0%**	53.9%	

Notes:

(1) Please refer to Note 32 to the Consolidated Financial Statements for the calculation of earnings/(loss) per share.

(2) The gearing ratio is calculated by dividing the total debt by equity holders' equity as at 31 December 2016.

Revenue

Revenue of the Group's products, comprising 100% fruit juices, nectars, juice drinks, and other beverage products, increased by 1.0% from RMB5,682.3 million in 2015 to RMB5,741.4 million in 2016.

Revenue of 100% fruit juices accounted for 35.1% of the Group's total revenue in 2016. Revenue of 100% fruit juices increased by 26.3% from RMB1,598.1 million in 2015 to RMB2,017.6 million in 2016, primarily due to the combined effects arising from an increase in both sales volume and the price of products.

Revenue of nectars accounted for 24.5% of the Group's total revenue. Compared to the previous year, revenue of nectars increased by 3.9% from RMB1,355.6 million in 2015 to RMB1,407.9 million in 2016, primarily because the increase in the price of nectars.

Revenue of juice drinks, which accounted for 17.8% of the Group's total revenue, decreased by 13.1% from RMB1,174.5 million in 2015 to RMB1,020.4 million in 2016, primarily due to the decrease in sales volume.

The revenue of other beverage products decreased by 16.6% from RMB1,554.2 million in 2015 to RMB1,295.5 million in 2016, primarily due to a 26.8% decrease in the sales amount of basic purified water. Our water product positioning was shifting towards the mid-high end market segments.

Cost of Sales

Cost of sales decreased by 3.0% from RMB3,513.0 million in 2015 to RMB3,407.2 million in 2016, which was mainly attributable to the continued effort in enhancing our production management, our cost of sales has dropped through measures like centralised production scheduling and wastage control as well as the improving in production efficiency.

Gross profit

Gross profit increased by 7.6% from RMB2,169.3 million in 2015 to RMB2,334.1 million in 2016. Gross profit margin increased by 2.5 percentage points from 38.2% in 2015 to 40.7% in 2016. Gross profit margin increased primarily because of the optimization of the product sales structure and product upgrade.

Other Income

Other income decreased by 32.7% from RMB215.5 million in 2015 to RMB145.0 million in 2016. Other income consists primarily of government subsidy income (including amortisation of deferred government grants) and net income from the sales of raw materials and scrap.

Other Gain

Other gain recorded a total gain of RMB38.5 million, which was the gain on disposal of five subsidiaries and sale offices of the Group in 2016.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 15.6% from RMB1,812.3 million in 2015 to RMB1,529.4 million in 2016, mainly due to decreases in employee benefit expenses which was partially offset by an increase in marketing expenses.

Administrative Expenses

Administrative expenses increased by 9.2% from RMB375.1 million in 2015 to RMB409.4 million in 2016. The administrative expenses as a percentage of revenue increased from 6.6% in 2015 to 7.1% in 2016. The increase in administrative expenses was primarily due to the increase of impairments loss of trade and other receivables which was partially offset by a decrease in employee benefit expenses.

Net Finance Cost

The Group recorded a net finance cost of RMB535.1 million in 2016 as compared with RMB530.6 million in 2015.

Income Tax Expense

During the year ended 31 December 2016, the Company recorded an income tax expense of RMB91.8 million as compared to RMB112.9 million in 2015.

Profit/(loss) Attributable to Equity Holders of the Company

As a result of the foregoing, the profit attributable to the equity holders of the Company for 2016 was RMB13.3 million, compared to a loss of RMB228.8 million in 2015. The adjusted profit attributable to the equity holders of the Company for 2016 was RMB289.7 million, compared to RMB211.8 million recorded for 2015.

Liquidity and Capital Resources

The Group's working capital and other capital requirements were principally funded by cash from operations, cash and cash equivalents, short-term bank deposits and borrowings.

As at 31 December 2016, the Group had total outstanding borrowings (including corporate bonds and finance lease liabilities) of RMB6,294.5 million and total outstanding convertible bonds of RMB929.8 million, while the outstanding borrowings and outstanding convertible bonds in 2015 were RMB4,411.0 million and RMB1,126.5 million, respectively. The Group's gearing ratio (total borrowings including convertible bonds to equity holders' equity) as at 31 December 2016 was 70.0%, representing an increase of 16.1 percentage points as compared to 53.9% as at 31 December 2015.

Operating activities

Net cash used in operating activities was RMB317.8 million in 2016, while the Group's profit for the year was RMB11.9 million. The difference of RMB329.7 million was primarily due to the increase in trade and other receivables of RMB1,835.2 million, which was partially offset by the depreciation of property, plant and equipment of RMB456.8 million, and the increase in trade and other payables of RMB736.0 million.

Investing activities

Net cash used in investing activities in 2016 was RMB783.5 million as compared to cash generated from investing activities of RMB63.2 million in 2015. The cash outflows in 2016 were mainly due to the net increase in short-term bank deposits and structured deposits of RMB929.7 million and purchase of property, plant and equipment of RMB292.1 million, which was partially offset by the net decrease in available-for-sale financial assets of RMB225.0 million and proceeds from disposal of subsidiaries and business of RMB246.2 million.

Financing activities

Net cash generated from financing activities in 2016 was RMB1,356.4 million as compared to RMB487.1 million in 2015. Net proceeds from issuance of corporate bonds was RMB1,980.9 million in 2016 as compared to RMB1,341.4 million in 2015.

Capital Expenditures

Capital expenditures primarily comprised purchase of property, plant and equipment and land use rights. The Group's annual total capital expenditures in 2016 decreased significantly compared to the previous year. During the year ended 31 December 2016, the Group spent RMB292.1 million on the purchase of property, plant and equipment and RMB12.7 million on the purchase of land use rights.

As at 31 December 2016, the Group had capital commitments of RMB205.4 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2017 will be reduced compared with 2016. In 2017, the Group plans to finance its capital expenditure requirements primarily with cash generated from its operations as well as borrowings.

Analysis on Turnover of Inventories and Trade Receivables

The Group's inventories primarily consisted of raw materials (including packaging materials, juice concentrates, purees) and finished goods (including juices and the beverage products). Raw materials made up the majority of the Group's inventories. Turnover days for raw materials increased from 102 days in 2015 to 104 days in 2016, while turnover days for finished goods decreased from 22 days in 2015 to 21 days in 2016.

Turnover days for trade receivables in 2016 increased to 151 days from 106 days in 2015 primarily due to an increase in direct sales resulting in 79% increase in trade receivable balance.

Contingent Liabilities

During the year ended 31 December 2016, the Group has been defending certain litigations. No provision in relation to these claims has been recognised in the consolidated financial statements, as legal advice indicates that it is not probable that a significant liability will arise.

Off-Balance Sheet Transactions

As at 31 December 2016, the Group had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2016, restricted cash of RMB200,000,000 was pledged as securities for bank borrowings. None of the property, plant, equipment and land use right of the Group were pledged as securities for bank borrowings.

Finance leases

As at 31 December 2016, the Group has certain finance lease arrangements on property, plant and equipment with third parties. As at 31 December 2016, the Group had finance lease liabilities with present value of RMB246.6 million and undiscounted contractual amount of RMB274.0 million, respectively.

MARKET RISKS

The operating activities of the Group exposed it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk. Financial risk management was carried out by the group treasury through identifying, evaluating and hedging financial risk.

Cash flow and fair value interest rate risk

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

As at 31 December 2016, if interest rates on borrowings (including corporate bonds and finance lease liabilities) and convertible bonds denominated in United States Dollar ("**USD**") and Euro ("**EUR**") had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB33.9 million (2015: RMB34.7 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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 USD and 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 in 2016 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2016, if RMB strengthened/weakened by 5% against USD and EUR with all other variables remaining unchanged, the Group's post-tax profit for 2016 would have been increased/decreased by RMB216.3 million (2015: RMB254.5 million), 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.

Credit risk

The Group has no significant concentration of credit risk. The Group's credit sales are made to selected customers, including distributors with long-term relationship with the Group and supermarket operators having entered into contracts with the Group with credit terms. The Group assesses the credit quality of its customers by taking into account various factors, including their financial position and previous record, and will monitor the utilization of credit limits on a regular basis. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the five largest customers was RMB288.6 million as at 31 December 2016 (2015: RMB218.4 million), representing 9% of the total balance of trade receivables as at 31 December 2016 (2015: 12%).

EMPLOYEES AND WELFARE CONTRIBUTION

As of 31 December 2016, the Group had 4,266 employees (2015: 13,716 employees). The employees' remuneration packages are determined with reference to their experience and qualifications and general market conditions.

As at 31 December 2016, the Group's employees' deployment by function was as follows:

Functions	
Production	1,786
Sales and Marketing	1,332
Management and other administration	549
Research and development (including quality assurance)	195
Finance and accounting	356
Purchase and supply	48
Total headcount	4,266

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

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

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

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

Report of the Directors

The Board presents this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal activities

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The Company's principal subsidiaries are primarily engaged in the manufacturing and sales of juice products, fruit juice concentrates and purees. Details of the activities of the subsidiaries of the Group are set out in note 10 to the consolidated financial statements on pages 120 to 122 of this annual report.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2016 are set out on page 81 of this annual report. The Board has resolved not to recommend payment of final dividend for the year ended 31 December 2016.

Business review

Please refer to the Chairman's Statement on pages 6 to 9 of this annual report.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group include industry risks, business risks and market risks, etc.

Industry risks

The nature of the Company's operations dictates that it operates within the boundaries of and must comply with environmental protection laws and regulations of the PRC. Under these laws and regulations, any company whose operation results in environmental pollution must take effective measures in controlling and properly handling waste gas, waste water, industrial waste, dust, and other environmentally harmful substances that result from its business operation. Companies releasing pollutant into the environment are charged a sewage tariff. Any company that causes environmental pollution will be fined and, depending on the seriousness of the offense, may be required by the Chinese government to suspend or shut down its operations. The Company cannot guarantee that the Chinese government will not modify the current laws and regulations, and cannot guarantee that the government will not implement new, stricter laws and regulations in the future. Should that be the case, complying with such laws and regulations may result in considerable capital expenditures afforded by the Company, and the Company may not be able to pass these expenditures on to its customers.

Changes in the current food safety laws implemented by the Chinese government might result in additional costs to the Company outside of its normal operations. These additional costs incurred as the result of complying with stricter laws and regulations might impact the Company's financial situation negatively.

Domestic beverage manufacturers are required to comply with Chinese food safety laws and regulations. Any company and its management might face fines, operation suspension, losing sanitary license, even criminal charges as the result of breaching these laws and regulations. The Company has strictly abided by the food safety laws and regulations currently in force, and has always done so in the past with records to match. However, should the Chinese government tighten the laws and regulations in this area, it may result in additional manufacturing and distribution costs to the Company.

Consumer preferences and the change in consumer behavior patterns might result in negative impacts to the Company.

The Chinese beverage industry is affected by the preference, senses and spending habits of consumers. If the consumers' preference, senses and spending habits change, it might result in the decline of the consumption of the Company's juice and other products. Therefore, the Company's performance to a certain extent depends on whether the Company is able to predict the shift in consumer preferences, and act accordingly by implementing counter measures in a timely manner so as to meet newly risen consumer demand with new products and services.

Business risks

The company relies on distributors to a degree. Should the distributors delay in shipping/handling of products and/or payment, or fail to operate according to protocol, it might cause disruption in sales performance or even damage to the Company's reputation.

The majority of the Company's products (over 50%) are sold and delivered through distributors. If unforeseeable circumstances were to occur, these distributors might temporarily cease to provide distribution service for the Company, resulting in the interruption of supply of products to the retailers.

The Company's operational performance might be affected by seasonal factors and experience fluctuations as a result.

Seasonal factors affect the Company's sales performance. Generally speaking, the Company's sales peak in public holidays (Chinese New Year, New Year, National Day, Mid-autumn Festival, etc.) and the months they fall into. The Company's performance also fluctuates according to season. Though sales and general performance could also be affected by unforeseeable events, such as weather or climate changes, interruption of production, etc.

Should there be lawsuits, complaints, claims, and negative publicity against the Company's products, the Company's operation and reputation may be affected.

As a beverage manufacturer, there is the possibility that consumers may suffer harm as a result of consuming the Company's products, for example, if these products were to be tainted, put in additives, or contaminated in other ways by a third party, or should the products be tempered with in other ways during the purchase, manufacture, transportation, and storage process by external contaminants, pollutants, chemicals or impurities. The Company possesses relatively comprehensive quality control systems, and at the same time operates under government supervision. However, the Company cannot avoid being directed by lawsuits, complaints, and claims due to consumers being harmed, and could be charged with paying the corresponding legal compensation.

Please refer to "Management Discussion and Analysis" on pages 17 to 18 of this annual report for discussion of the market risks facing the Group, including cash flow and fair value interest rate risk, foreign exchange rate risk, credit risk, etc.

Environmental policies and performance

The Group adheres to environmental sustainability throughout its business operations. As a responsible corporation, we strive to ensure minimal environmental impacts by carefully managing our energy consumption and waste production. The Group promotes environmental protection by raising employees' awareness of resources saving and efficient use of energy.

Compliance with laws and regulations

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the year ended 31 December 2016, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Relationship with employees

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages to attract and retain employees, and regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. Please refer to the paragraph titled "Employment and emolument policies" of this report for details. The Group also places great emphasis on the training and development of employees. In addition, the Company has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Schemes as incentives for eligible employees. Details of the schemes are set out under the paragraphs titled "Share Option Schemes" and "Share Award Schemes" of this report.

Relationship with customers and suppliers

The Company believes that maintaining good relationships with customers is one of the key contributors to the Group's success. The Group has established stable long-term relationships with a number of distributors/supermarket operators. The Company also closely monitors trends in consumer preference in order to provide consumers with high quality products that appeal to consumers' preference.

The Company believes that it is crucial to foster the development of a strong and loyal base of suppliers which provide the Company with good quality raw materials. The successful relationships the Company has developed with its raw materials suppliers has helped and supported its growth. The Company takes active steps to maintain good cooperative relationships with its raw materials suppliers and to strengthen communication with them to ensure stable and adequate raw material supply to the Group.

Future business developments

Please refer to the Chairman's Statement on page 9 of this annual report.

Summary of financial information

A summary of the Group's results, assets, liabilities and non-controlling interests for the last two financial years is set out in the section headed "Financial Highlights" on page 3 of this annual report.

Share capital

Details of the shares issued in the year ended 31 December 2016 are set out in note 19 to the consolidated financial statements on page 133 of this annual report.

Pre-emptive rights

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

Reserves

As at 31 December 2016, reserves of the Company amounted to RMB549,004,078 (2015: RMB1,066,244,000). Details of movements in reserves of the Company during the year are set out in note 40 to the consolidated financial statements.

Directors

The Directors who held office during the year ended 31 December 2016 and up to the date of this report are:

Executive Directors:

Mr. Zhu Xinli *(Chairman)*
Ms. Zhu Shengqin
Mr. Cui Xianguo

Non-executive Director:

Mr. Andrew Y. Yan

Independent non-executive Directors:

Mr. Leung Man Kit
Mr. Song Quanhou
Ms. Zhao Yali
Mr. Wang Wei

In accordance with the Company's articles of association, Mr. Zhu Xinli, Ms. Zhu Shengqin, Mr. Ardrew Y. Yan and Mr. Song Quanhou will retire from office as Director by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, offer themselves for re-election.

Independence of the independent non-executive Directors

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

Biographical details of the Directors and the senior management

Biographical details of the Directors and the senior management of the Group as at the Latest Practicable Date are set out in the section headed "Directors and Senior Management" on pages 67 to 72 of this annual report.

Directors' service contracts

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

Directors' and controlling shareholder's interests in contracts

Save for the related party transactions of the Group with the companies controlled by Mr. Zhu Xinli, an executive Director, no other Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group for the year ended 31 December 2016.

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

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), were as follows:

Long positions in the Ordinary Shares of the Company as at 31 December 2016

Name of Director	Personal interest	Family interest	Corporation interest	Other interest	Number of shares	Percentage of the Company's issued share capital
Zhu Xinli	—	—	1,737,342,985	—	1,737,342,985	65.03%
Andrew Y. Yan	—	—	224,997,501	—	224,997,501	8.42%
	150,000		—		150,000	
Leung Man Kit	150,000	—	—	—	150,000	0.01%
Song Quanhou	150,000	—	—	—	150,000	0.01%
Zhao Yali	150,000	—	—	—	150,000	0.01%

Notes:

(a) These shares were beneficially owned by China Huiyuan Holdings, which is indirectly wholly-owned by Mr. Zhu Xinli through Huiyuan Holdings. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the Shares held by China Huiyuan Holdings. Mr. Zhu Xinli also serves as a director of China Huiyuan Holdings and Huiyuan Holdings, respectively. As at 31 December 2016, Mr. Zhu Xinli was interested in 1,737,342,985 Ordinary Shares by virtue of his interest in China Huiyuan Holdings and Huiyuan Holdings.

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

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

To the best knowledge of the Directors, save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or is deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Directors' rights to acquire shares

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in this report, at no time during the year ended 31 December 2016 or the period following 31 December 2016 up to the date of this report, was the Company or any of its subsidiaries or holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

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

1. Pre-IPO Share Option Scheme

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

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

2. Share Option Scheme

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the 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 ten 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 year ended 31 December 2016 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise price per share (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2016	Number of underlying shares comprised in the options granted during the year	Number of underlying shares comprised in the options lapsed during the year	Number of underlying shares comprised in the options exercised during the year	Number of underlying shares comprised in the outstanding options as at 31 December 2016
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	11,998,500	–	(1,393,500)	–	10,605,000
Andrew Y. Yan	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Leung Man Kit	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Song Quanhou	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
Zhao Yali	20 March 2014	20 March 2024	6.12	150,000	–	–	–	150,000
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	15,230,000	–	(2,050,000)	–	13,180,000
				27,828,500	–	(3,443,500)	–	24,385,000

As at the date of this report, other than information disclosed above, no further options were granted under the Share Option Scheme and none of the share options granted under the Share Option Scheme had been exercised.

Share Award Schemes

The Company has adopted the Employees 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 ten years starting on the Effective Date. No contribution to the trusts will be made by the Company on or after the tenth 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 year ended 31 December 2016, no awarded share was granted under the CEO & Directors Share Award Scheme and the Employee Share Award Scheme, respectively.

Details of the Share Award Schemes are set out in note 20 to the audited consolidated financial statements as included in this annual report.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2016, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions/short positions in the Ordinary Shares of the Company as at 31 December 2016

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

(L) — Long Position; (S) — Short Position

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. As at 31 December 2016, Mr. Zhu Xinli was interested in 1,737,342,985 Ordinary Shares by virtue of his interest in China Huiyuan Holdings and Huiyuan Holdings.

(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) Temasek Holdings (Private) Limited is the ultimate holder of 2019 CB (defined as below). During the year ended 31 December 2016, none of the 2019 CB was converted or redeemed. Pursuant to the terms of the 2019 CB, the holder served notice to request early redemption in full. As at the Latest Practicable Date, 2019 CB has been accordingly fully redeemed.

(d) Mr. Lu Zhiqiang and Ms. Huang Qiongzi (spouse of Mr. Lu Zhiqiang) together hold more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. Lu Zhiqiang and Ms. Huang Qiongzi are deemed to be interested in all the Shares of the Company held by Tohigh Holdings Co., Ltd.* (通海控股有限公司).

(e) 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).

(f) 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).

(g) 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).

(h) 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.

(i) 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).

(j) 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 31 December 2016, the Directors are not aware of any persons who should be registered an interest or short positions in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Convertible securities, options, warrants or similar rights

On 21 October 2013, the Company issued 447,322,020 Ordinary Shares and 655,326,877 convertible preference shares as the consideration for the acquisition of juice concentrates and purees production business from the Company's controlling shareholder, China Huiyuan Holdings. The convertible preference shares are convertible into the ordinary shares on a 1:1 basis subject to satisfaction of the minimum public float requirements under the Hong Kong Listing Rules. On 30 March 2016, 125,326,877 convertible preference shares were converted into Ordinary Shares. Accordingly, as at 31 December 2016, no convertible preference shares remained outstanding.

In April 2011, the Company issued the convertible bonds due on 29 April 2016 in an aggregate principal amount of US$150,000,000 (the "2016 CB"). On 29 April 2016, the outstanding amount of US$32,700,000 of the 2016 CB was redeemed. Accordingly, as at 31 December 2016, none of the 2016 CB remained outstanding.

In March 2014, the Company issued the convertible bonds due on 30 April 2019 in an aggregate principal amount of US$150,000,000 (the "2019 CB"). The 2019 CB may be converted during the period up to seven (7) business days before the maturity date, being 30 April 2019, at the initial conversion price of HK$7.00, subject to adjustment by reference to the agreed adjusted EPS of the Company on the relevant conversion date of the 2019 CB, provided always that the conversion price in effect on the relevant conversion date shall not be less than HK$5.30 nor exceed HK$7.00, which is subject to any further adjustment upon the occurrence of certain events as specified in the terms and conditions of the 2019 CB. As a result of the issuance of Shares to Suntory Holdings Limited on 26 November 2015, the conversion price was adjusted to HK$5.2952. During the year ended 31 December 2016, none of the 2019 CB was converted or redeemed and as at 31 December 2016, an aggregate of US$150,000,000 of the 2019 CB remained outstanding. Pursuant to the terms of the 2019 CB, on 20 March 2017, the holder served notices to request early redemption in full and the 2019 CB was accordingly fully redeemed.

Save as disclosed above and other than the share option scheme described in the paragraph titled "Share Option Scheme" above and in note 20 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at 31 December 2016.

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

On 7 July 2015, the Company issued €200 million 1.55% credit enhanced bonds due 2018 (the "Euro Bonds"). During the year ended 31 December 2016, none of the Euro Bonds was redeemed and as at 31 December 2016, an aggregate of €200 million of the Euro Bonds remained outstanding.

Save as disclosed above and other than the disclosure in the paragraph titled "Convertible Securities, Options, Warrants or Similar Rights" above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Employment and emolument policies

The Group had 4,266 employees as at 31 December 2016, as compared to 13,716 employees as at 31 December 2015. The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence. The emoluments payable to the directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director should determine his or her own remuneration.

Details of the Directors' benefits and interests are set out in note 41 to the consolidated financial statements on pages 165 to 166 of this annual report.

Details of the emoluments of the five highest paid individuals in the Group are set out in note 28 to the consolidated financial statements on pages 150 to 151 of this annual report.

The Company has also adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Schemes as incentives for Directors and eligible employees. Details of the schemes are set out under the paragraphs titled "Share Option Schemes" and "Share Award Schemes" of this report and in note 20 to the financial statements on pages 134 to 136 of this annual report.

Retirement benefits scheme

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

Retirement benefits scheme

During the year ended 31 December 2016, revenue from the Group's five largest customers accounted for less than 30% of the total revenue for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Banking facilities and other borrowings

Save as disclosed below, the Directors are not aware of any circumstances which would be required to 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 (the "Lender") relating to a term loan facility in an aggregate principal amount of US$48,000,000 with a term of two years (the "2014 Facility"). On 30 December 2016, the Company entered into an amendment agreement with, inter alia, the Lender (together with the 2014 Facility Agreement, the "Amended 2014 Facility Agreement") pursuant to which the parties agreed, among other things, to extend the termination date of the 2014 Facility to 28 February 2017. This outstanding amount was fully repaid on 28 February 2017.

- On 4 September 2015, the Company as borrower entered into a facility agreement (the "2015 Facility Agreement") with certain banks relating to a three-year term loan facility in 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 Amended 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 cause a default under the relevant facility agreement, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Hong Kong Listing Rules on 31 December 2014, 4 September 2015 and 30 December 2016, respectively. For details of such obligations, please refer to the aforesaid announcements.

As at 31 December 2016, the outstanding amounts owed by the Company under the Amended 2014 Facility Agreement and the 2015 Facility Agreement were US$48,000,000 and US$131,330,000, respectively.

Further details of the borrowings of the Group as at 31 December 2016 are set out in note 22 to the consolidated financial statements on pages 139 to 143 of this annual report.

Corporate governance

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

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (including the Appendix 14 as then in force, 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 the Governance Code for the year ended 31 December 2016. Information on the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 54 to 66 of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, they have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016. Details of the Company's compliance with the Model Code are set out in the Corporate Governance Report on page 54 of this annual report.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at 31 December 2016, the Company has maintained sufficient public float as required under the Hong Kong Listing Rules.

Connected transactions

Continuing Connected Transactions

(1) Transportation Service

On 24 December 2015, 北京滙源食品飲料有限公司 (Beijing Huiyuan Food & Beverage Co., Ltd., "Shunyi Huiyuan"), an indirect wholly-owned subsidiary of the Company, entered into the Transportation Service Agreement (2016) with 北京滙源集團(蘇州)兆豐物流有限公司 (Beijing Huiyuan Group (Suzhou) Zhaofeng Logistics Co., Ltd., "Zhaofeng Logistics"), pursuant to which Zhaofeng Logistics agreed to provide transportation services to Shunyi Huiyuan with a maximum transaction amount of RMB190,450,000 for the year ended 31 December 2016.

Zhaofeng Logistics is a company controlled by Mr. Zhu Xinli, the Chairman, an executive director and the controlling shareholder of the Company, therefore, the transportation services contemplated under the Transportation Service Agreement (2016) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Transportation Service Agreement (2016) provides that the provision of transportation services by Zhaofeng Logistics to Shunyi Huiyuan shall be carried out on normal commercial terms which are no less favorable than those offered by independent third parties to the Group. The fees for the transportation services provided shall be paid in accordance with a fee schedule which was set by reference to transportation distance and determined through a tender process in which various services providers (including Zhaofeng Logistics) were invited to participate.

The total consideration payable for the transportation services provided by Zhaofeng Logistics during the year ended 31 December 2016 in accordance with the Transportation Services Agreement (2016) is RMB136,416,083, which does not exceed the annual cap of RMB190,450,000 which was disclosed in the Company's announcement dated 24 December 2015.

Annual review of continuing connected transactions

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

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

(2) on normal commercial terms; and

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

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

(1) have been approved by the Board;

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

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

(4) have not exceeded the annual caps disclosed in the announcement of the Company dated 24 December 2015.

Related party transactions

During the year ended 31 December 2016, the Group has entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of such related party transactions are set out in note 38 to the consolidated financial statements on pages 161 to 162 of this annual report. These related party transactions included non-exempt continuing connected transactions between the Group and companies controlled by Mr. Zhu Xinli, the Chairman and controlling shareholder of the Company, as disclosed in the paragraph headed "Connected Transactions" in this report.

Non-competition Deed

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, (i) the compliance by Mr. Zhu Xinli, the controlling shareholder of the Company, and his associates with the non-competition undertakings under the Non-competition Deed (as amended on 23 May 2013); and (ii) all the decisions taken in relation to whether to exercise the options pursuant to the Non-competition Deed and whether to pursue any business opportunities which may be referred or offered to the Company by Mr. Zhu Xinli and his associates pursuant to the Non-competition Deed. The independent non-executive Directors have conducted such review for the year ended 31 December 2016 and are satisfied that the Non-competition Deed has been fully complied with.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2016.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2016 has been reviewed by the Financial Management and Audit Committee. Information of the work of the Financial Management and Audit Committee and its composition are set out in the Corporate Governance Report on page 59 of this annual report.

Subsequent events

(a) Drawdown of new bank borrowings

In March 2017, the Company has drawn down an aggregate of EUR160,000,000 bank borrowings. The above long-term bank borrowings are unsecured, bear interest rates at EURIBOR plus 2.9% per annum and repayable after 3 years.

(b) Redemption of the 2019 Convertible Bonds

In March 2017, the Company redeemed all the principal amount of US$150,000,000 of the 2019 Convertible Bonds upon exercise of the redemption option by the holder, at the redemption price of US$154,500,000 (103% of US$150,000,000).

Permitted indemnity provisions

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers. A resolution to re-appoint PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board
Zhu Xinli
Chairman

Beijing, 30 March 2017

Environmental, Social and Governance Report

The Company hereby publishes its inaugural Environmental, Social and Governance Report (hereinafter referred to as the "Report") to the public in accordance with its environmental, social and governance performance.

Spanning Time (the "Reporting Period"):

From 1 January 2016 to 31 December 2016.

Scope of the Report:

Unless otherwise stated, this Report covers all companies in the Group.

Basis of preparation:

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "ESG Guide").

Publishing time: The Report is published on an annual basis.

Description of information: The information and case studies contained in this Report are derived from the original actual business record or financial statements of the Group.

During the Reporting Period, the Group has complied with the "compliance or interpretation" provisions set out in the ESG Guide.

I. Environmental, social and governance strategy and issues identification

1.1 Environmental, social and governance approach and strategy

Since its inception, the Group always adheres to the corporate culture of "diligent, pragmatic, efficient and innovative" and pursues the corporate mission of "nourishing the public while benefiting the agricultural industry, the peasants and the rural areas" to insist on the moral value of "sustainable development". This moral value is also the guideline of the Group in dealing with environmental, social and governance matters.

The Group has a variety of products. "Huiyuan Juice" has long been a well-known brand in China and is loved and greatly supported by consumers. Our products are available in China and around the world, drinking by thousands of consumers every day. We are honoured and proud of our performance, besides, also realized the importance and necessities of managing relevant social and environmental risks. We believe that strict control of product quality and adherence to lawful operation is the cornerstone of the Group's development. By reducing resources consumption and waste emissions, encouraging innovation, retaining talent and continually training, the Group still maintains its leading position among fierce market competition in China's food industry.

1.2 Stakeholders' involvement and identification of important issues

While we continue to focus on the internal and external stakeholders' expectation and aspiration on the Group's environmental, social and governance matters, we will also actively communicate with various stakeholders to identify the key issues of their concern.

Through identification and analysis, we have identified the Group's major stakeholders as shareholders and investors, employees, consumers, business partners (distributors and suppliers), media and the public community where the plant is located. We actively communicate with the above stakeholders by different means through multiple channels, including website, media, meetings, reports and live activities.

Table 1: Identification of major stakeholders, their expectation and our ways of communication

Major stakeholders	Expectation	Ways of communication
Shareholders and investors	Good corporate governance, sustainable profitability and return on investment	General meetings, annual report, result announcement and roadshow
Employees	Good corporate governance, improvement in employee's welfare and benefits, career development and balance of work-life balance	Staff meetings, staff training, staff activities, internal publications, and staff manual
Consumers	Improve product quality, ensure cost-effectiveness and information security	Industry exhibition, customer service hotline and satisfaction survey
Distributors and suppliers	Improve product quality and promote fair competition	Tender briefing session and strategic cooperation
Media	Improve product quality and maintain business stability	Business interviews and special events
Community	Energy-saving and reduce emission to alleviate the pollution in surrounding areas	Community surveys, staff volunteer activities and public welfare activities

In 2016, we invited representatives of major stakeholders to assess the significance of key issues listed in the ESG Guide. We identified four issues, namely product liability, emissions, employment and community investment, as the most concerned issues of the Group's major stakeholders.

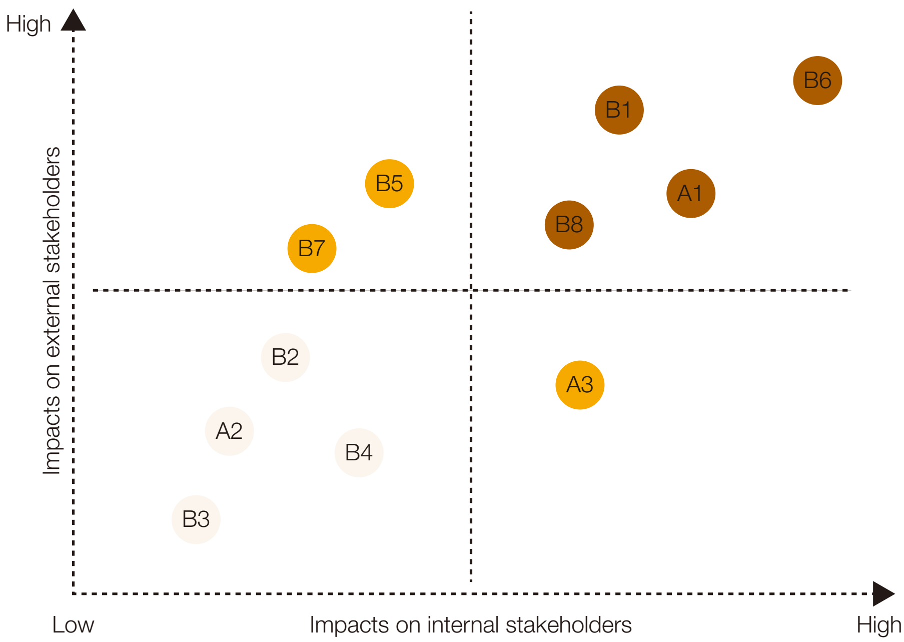


Figure 1 Matrix on significance assessment of Huiyuan Juice's key issues

Issues listed in the ESG Guide: A1. Emissions A2. Utilization of resources A3. Environment and natural resources
B1. Employment B2. Health and safety B3. Development and training B4. Labour standard
B5. Supply chain management B6. Product liability B7. Anti-corruption B8. Community investment

II. Implement strict control on food safety to improve product quality

The Group has set its sight in satisfying market demand. Over the last two decades, the Group always see "quality as its life and is ready to shoulder responsibility on quality". By strictly adhered to the laws which are critical to our operation, such as the "Food Safety Law of the People's Republic of China", the "Product Quality Law of the People's Republic of China" and the "Administrative Measures on Food Safety Permit", the Group consciously produces beverages that consumers can feel "rest assured to purchase and drink".

Food safety assurance is the escort ship of our stable operation and development. The Group believes in the importance of establishing a food safety and quality assurance responsibility system. As one of the leaders in the beverage sector, the Group continuously improves its own process and introduces state-of-the-art technology as well as puts food safety and product liability as its core values to meet the challenges posed by the market and consumers from time to time.

The Group's plants have developed quality inspection procedures in accordance with its product characteristics and related industry standards. Through raw material inspection, production sampling and output inspection, we ensure all of our products are meeting the safe drinking standard and the Group's quality control requirements. Meanwhile, we have formulated the "Immediate Response System on Unexpected Food Safety Issue" and the "Harmful Food Recall Mechanism" and regularly carried out product recall drills, ensuring that we are able to promptly recall our products if and when any quality issue occurs. In 2016, the Group did not experience any recall as a result of product safety issue.

The Group implemented a stringent quality management system to ensure our product quality. Currently, all plants of the Group have passed the ISO9001 quality management system and ISO22000 food safety management system certification, which means the production process has strictly complied with the GMP (standard) and HACCP (and key control point) requirements for control.

III. Adhere to lawful operation and strengthen operating management

3.1 Management of suppliers

The Group emphasizes management of suppliers and maintains good communication and cooperation with them. We will only work with partners possessing professionalism and business ethics. Various systems are formulated for the management of suppliers' development, admittance and assessment. We will arrange on-site assessment for pre-qualified suppliers, only those who get a pass can be included in the Group's List of Qualified Suppliers. The Group arranges assessment for suppliers quarterly and implements relevant treatment in a timely fashion for those suppliers who failed.

The environmental compliance status, the availability of food safety qualification, the implementation of labour laws and the fulfillment of social responsibility are important factors for the Group to review and evaluate suppliers. The Group enters into the contracts with suppliers simultaneously with the execution of the "Anti-Commercial Bribery Agreement", aiming at encouraging or promoting the compliance of business ethics in between enterprises which the Group conducts business.

As at end of 2016, the Group has 402 suppliers passed the ISO9001 quality management system certification and 321 suppliers passed the HACCP certification.

3.2 Management of products promotion

The Group stringently complies with applicable laws and regulations such as the "Advertising Law of the PRC", "The PRC Trademark Law" and the "Food Identification Management Requirement" for products promotion. We show the contents of advertisements and labels in a real, legal and healthy way in order to promote a healthy lifestyle and consumption ideas, as well as to create a nourishing and active brand image. For advertisement dissemination, the Group carefully selects advertising agents and partner companies which are famous and experienced in the industry and establishes a complete communication management system to understand in-depth the development trend of the industry. The Group also set up an ideal advertisement review system to ensure that the advertisements disseminated are in compliance with relevant measures and rules of the country, honest, trustworthy and fairly competing.

3.3 Management of customer complaints

Customer interests always come first. To guarantee customer interests, the Group has formulated related measures such as "Procedure of Handling Customer Complaints" and "Administrative Provisions on Customer Service by Distributors" for ensuring the prompt implementation of suggestions made by consumers and distributors. We have set up a customer service hotline for which each relevant department handle every single case earnestly and humbly. After each case is closed, our staff conducts a survey about the satisfaction rate in approach taken in order to maintain the corporate and brand image of the Group.

3.4 Management of corporate intellectual property

In addition to independent innovation, the Group seriously implements intellectual property protection strategy to enhance market competitiveness. The Group has established the department of intellectual property management to coordinate the whole process of internal and external intellectual property management, while at the same time engaged external intellectual property agencies to manage matters like trademark enquiry, registration application, review and rejection, as well as patent search, application and licensing. The Group has set up an intellectual property contingency plan to provide solutions in handling protection or infringement of intellectual property when the Group's trademark rights and patent rights are infringed. As at the end of 2016, the Group has applied for a total of 188 registered trademarks and received 10 design patents.

3.5 Strict control on corruption

The Group maintains a zero tolerance attitude towards dishonest behavior such as illegal occupation of corporate property and acceptance of bribe. The Company has formulated internally the “Measures Dealing with Complaints and Reports on Violations of Disciplinary Matters”, the “Confidentiality System for Reports and Complaints”, the “Anti-Commercial Bribery Agreement” and the “Measures for the Administration of Gift Recycling” to receive all kinds of reporting information through channels like hotline, mailbox and WeChat platform. Members of the Group shall not accept or ask for gifts or property in any form. For partners who are confirmed their bribery, we will terminate the relevant business contract or cooperation; for staff once ascertained accepting bribes, we will take it seriously and report gross misconduct to the judicial department for pursuing liability in accordance with the law in order to resolutely prevent the occurrence of corruption. The implementation of the above measures can effectively prevent and control the occurrence of violations of laws and discipline as well as corruption, thus improve working efficiency and corporate reputation. In 2016, the Group has neither breach nor corruption cases.

3.6 Protection of consumer private information

Through e-commerce operating activities, the Group obtained certain personal information of consumers. We have followed the *PRC Safety Protection of Computer Information System Regulations* and the *PRC Law on the Protection of Consumer Rights* to formulate a stringent information security management system and technology standard. No department and individual should be allowed to access, copy and reproduce the content of consumer information, any demand of data will be approved strictly. For operation, we require all servers to install network firewall, close unnecessary ports, install and update anti-virus software, as well as strictly control the admin right by signing confidentiality agreement for key position.

IV. Safeguard employee interest and create job opportunities

The Group believes “employees are the basis of its business and satisfying consumer needs is the priority of its employees”. We adhere to our view that “employee development helps bringing the organization success”, thus we strive to offer competitive welfare and remuneration package to employees and protect their interest and benefits in accordance with relevant laws. The Group formulated its labour management system under laws and regulations such as the “Labour Law”, the “Labour Contract Law” and the “Implementing Regulations of the Labour Contract Law”. The Group entered into employment contracts with all of its employees. We treat all employees equally as none of them would be discriminated during the recruitment process by reason of their age, physical condition, gender, race and religious belief. Child labour or forced labour is strictly prohibited by the Group and its members. Our recruitment system also stipulated that none of the people under the age of 18 could be employed. In 2016, the Group did not hire any child labour.

4.1 Healthy and safe working environment

With the safety philosophy of “risk control and prevent accidents” in mind, the Group has strictly complied with laws such as the “Prevention and Control of Occupational Diseases Law of the People’s Republic of China”, the “Regulations on the Safety Administration of Hazardous Chemicals” and the “Provisions for the Education and Training of Social Fire Safety” to ensure it provides employees with a healthy and safe working environment. All plants under the Group have established their “safe production system” and formulated their “Hazard Identification, Assessment and Control Procedures” to comprehensively roll out safe production management and lay down a safety working environment, with the aim to ensure employees are provided with a healthy and safe working environment. The Group has implemented a “3-tier inspection system on production safety” for all of its plants each month to identify potential unsafe behaviour and unsafe condition at workspace on an ongoing basis, thus enable it to remove safety hazards, reduce the risk of accidents and lower the chances of accidents to occur. Moreover, fire drills were carried out regularly in each of the plants, during which the “emergency response control procedure” was activated to evacuate staff out of the pretend fire scene. Such practice helps strengthening the ability of the emergency team in responding to emergencies and collaborating with external firefighters.

4.2 Employee interest and benefits

The Group strictly complied with laws and regulations relevant to its operation, including the “Provisions on Minimum Wage”, the “Regulations on Paid Annual Leave for Employees”, the “Regulation on Insurance for Work-related Injury” and the “Provisions on Labour Protection for Female Staff and Workers”, constantly bolster the interest entitled by employees as well as offer them a comprehensive welfare system.

Save for making contribution to the social insurance scheme under relevant national and local laws and regulations, the Group also offers a range of benefits to its employees, including supplementary physical therapy insurance, birthday benefits, traditional holiday allowance, dining allowance, employer liability insurance, accidental injury insurance and supplementary commercial medical insurance. We welcome our employees to take their entitled leaves and formulate the “Administrative Measures on Paid Annual Leave for Employees” to encourage them to strive a work-life balance, with the aim to boost their work efficiency.

4.3 Staff development and training

The Group focuses on staff development and training and has set up a “human resources management system”. We pursue comprehensive and balanced candidates with multiple skills under a recruitment principle which put emphasis on “character, talent and track record”. In tandem with the value creation by employees, we are facilitating their career development.

We provide a variety of training programs to employees of different levels and offer them with extensive career development opportunities. By executing a stringent training management and assessment system, the Group is able to examine and assess the teaching quality of each program and employees are invited to provide assessment and feedback on the training programs and instructors. Such dual way assessment model allows us to constantly boost the training quality and results. For the year of 2016, the Group organized 5 trainings for the leadership team, 10 trainings for the marketing team and 3 trainings in relation to technology research and development.

Figure 2 Rich and colourful staff training programs

V. Insist on green development to promote energy conservation and emission reduction

As the founder of a "nutrition and health" brand, the Group always puts environmental management works as the priority of its corporate operation management. In 2016, the Group continued to improve its performance in environmental protection. While we devote efforts in promoting energy conservation and emission reduction, we also commit to provide high quality products to consumers.

5.1 Establish environmental protection system for the good of environment

In recent years, the state is committed to advocate a production model and lifestyle which echoes the objectives of environmental protection and developing a "low carbon society". As the founder of a "nutrition and health" brand, the Group always regards "low carbon" and "environmental protection" as one of the priorities in managing its production process.

The Group has to comply with approximately 20 national environmental laws and regulations, which mainly include the "Environmental Protection Law of the People's Republic of China", the "Law on the Prevention and Control of Atmosphere Pollution of the People's Republic of China" and the "Law on Appraising of Environment Impacts of the People's Republic of China". In view of the emission of greenhouse gases, pollutants, harmful and harmless waste, we have established a set of sound administrative measures on resources and energy consumption, administrative measures on waste and exhaust gas operations and an internal management system for relevant job positions and equipment operating procedures to strictly comply with the collection and disposal requirements on relevant emissions as stipulated by relevant laws and regulations.

We persist to maintain a stringent environmental control stemming from orchard to plant and ultimately to the hands of consumers. All of our plants are built in accordance with the "Three-Simultaneity" requirements (i.e. the simultaneous design, construction and operation commencement on projects and plants related to sewage treatment and dust control) under the "Environmental Protection Law of the People's Republic of China". In 2016, the Group consistently enhanced its quality in environmental management and operation as per the requirements of ISO14000 environmental management system, with the aim to ensure its business develop in a healthy and sustainable manner.

5.2 Roll out energy conservation and emission reduction plan under stringent management

The Group actively advocates energy conservation and reduce energy consumption, to which it sets reducing energy consumption and recycling of resources as priorities in production. We have implemented various energy conservation programs and utilized more green energy during the production process, which enables us to achieve, though little by little, the objectives of energy conservation and recycling of resources. Meanwhile, we strictly control the exhausted gases, sewage and various solid wastes emerged from production to ensure they are properly disposed for the purpose of controlling and reducing the amount of waste discharged.

Set out below are the key initiatives on energy conservation and emission reduction launched by the Group in 2016:

1. The Group actively responded to the national policy of "converting from coal to gas" by transforming the coal-fired boilers at Shunyi Plant, Yangling Plant, Lingbao Plant and Huairou Plant to gas-fired boilers. Leling Plant, Nanchong Plant and Xinjiang Plant had demolished their existing boilers and converted into steam-powered.

2. The pomace and core emerged from production were put for sales and used in third-party integrated processing, turning the wastes into something valuable in the process. We also actively sought the neighbouring building materials processing enterprises to take up the cinders, or ashes, generated by coal-fired boilers as their main raw material for manufacturing building materials.

3. As an advocate of green office, we carried out central management on the timing switch of air conditioning and lighting facilities and set the indoor temperature in summer and winter at not lower than 26°C and not higher than 20°C respectively to reduce unnecessary energy waste. The use of enterprise office information platform, such as the OA system and the ERP system, allowed the Group to basically operate as a paperless office. We used video conferencing system, where appropriate, to convene regular meetings for the sake of reducing energy consumption and boosting working efficiency.

As a beverage production enterprise, water resources is the natural resources that we use most and could cause material impact to our production and operation. Over the years, we treated water conservation as our priority and committed to reduce the adverse impact caused by our production activities to local water resources. We aimed at securing sustainable water resources by reducing water utilized by production units. Currently, the Group has set up a recovery and recycling process for cooling water, cleaning water, concentrated water and used water from cleaning bottles to reduce the water consumed by its production process and conserve local water resources. In 2016, we registered a year-on-year decrease of 10.5% in water consumption of production units.

Figure 3 The gas-fired boilers and sewage treatment plant at the Group's Shunyi Plant

VI Support public welfare activities, fulfill social responsibility

As a well-known major private enterprise in China, the Group has been pursuing an aim of "receive from society, contribute to society" that we expand and strengthen ourselves while at the same time promote the development of public welfare activities in China by returning the society through action so as to fulfill social responsibility. The Group has donated cash and goods in aggregate over RMB500 million since its establishment.

The Group actively participated in various social welfare activities to understand the expectations and needs of the community on us and worked out the plan and focus of its annual community investment in the light of the industry and its own condition.

In 2016, the Group mainly made its community investment in disaster relief and charity. In June 2016, Funing and Sheyang, two of the counties of Yancheng City, Jiangsu, were abruptly suffered from serious natural disasters, resulting in major casualties and property damage. Once the situation is known, the Group's Yancheng Plant immediately activated its emergency response mechanism to formulate a donation program and launch overnight relief supplies preparation, eventually we were able to promptly deliver a total of over 100,000 bottles of Huiyuan purified water, packed in 9 trucks, to the victims of the affected areas for free in 2 batches. The Group's relief operation eased the urgent needs of local government and the masses in a timely fashion and provided a strong support for the local relief work.

Figure 4 The Group was delivering relief supplies to Funing, Jiangsu

Based in Beixiaoying Town, Shunyi District, Beijing, the Group formed a support unit to help Niufutun Village, a poor village within the local town, building its office and activity room and facilitated the construction and development of the village. In addition, we organized visit to the elderly living in proximity to the Beixiaoying Town and distributed relief funds and juice products to poor children and disabled people in the nearby area. We also organized our party members and cadres to donate books and clothes to poor regions, with the aim to help the poor sailing through the most difficult times and let them feel the warmth of the society.

Appendix: ESG Guide Disclosure Index

	Content of ESG Guide	Section with relevant disclosure
General disclosure A1 Emissions	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	V. Insist on green development to promote energy conservation and emission reduction
General disclosure A2 Utilization of resources	Policies on the efficient use of resources, including energy, water and other raw materials.	V. Insist on green development to promote energy conservation and emission reduction
General disclosure A3 Environment and natural resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	V. Insist on green development to promote energy conservation and emission reduction
General disclosure B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	IV. Safeguard employee interest and create job opportunities

	Content of ESG Guide	Section with relevant disclosure
General disclosure B2 Health and safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	IV. Safeguard employee interest and create job opportunities
General disclosure B3 Development and training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	IV. Safeguard employee interest and create job opportunities
General disclosure B4 Labour standard	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	IV. Safeguard employee interest and create job opportunities
General disclosure B5 Supply chain management	Policies on managing environmental and social risks of the supply chain.	III. Adhere to lawful operation and strengthen operating management

	Content of ESG Guide	Section with relevant disclosure
General disclosure B6 Product liability	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	II. Implement strict control on food safety to improve product quality III. Adhere to lawful operation and strengthen operating management
General disclosure B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	III. Adhere to lawful operation and strengthen operating management
General disclosure B8 Community investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	VI. Support public welfare activities, fulfill social responsibility

Corporate Governance Report

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

The Company has adopted the code provisions set out in the Governance Code as its own code to govern its corporate governance practices.

During the year ended 31 December 2016, the Company has complied with the code provisions set out in the Governance Code.

Directors' securities transactions

The Company has adopted the Model Code as contained in Appendix 10 of the Hong Kong Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, the Company confirms that the Directors have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

Board of Directors

Board responsibilities

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

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

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

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

Board members

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

Executive Directors:
Mr. Zhu Xinli *(Chairman)*
Ms. Zhu Shengqin
Mr. Cui Xianguo

Non-executive Director:
Mr. Andrew Y. Yan

Independent non-executive Directors:
Mr. Leung Man Kit
Mr. Song Quanhou
Ms. Zhao Yali
Mr. Wang Wei

There is no financial, business, family or other material or relevant relationships among the Directors of the Company except that Ms. Zhu Shengqin is Mr. Zhu Xinli's daughter.

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

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

Independent non-executive Directors

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

Appointment, re-election and removal of Directors

All of the non-executive and independent non-executive Directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company and any applicable laws, and subject to retirement by rotation at the annual general meeting ("AGM") of the Company once every three years in accordance with the articles of association. Independent non-executive Directors serving up to the maximum term of nine years is only eligible for reappointment by separate shareholders' resolution.

In accordance with the Company's articles of association, Mr. Zhu Xinli, Ms. Zhu Shengqin, Mr. Ardrew Y. Yan and Mr. Song Quanhou will retire from office as Director by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Mr. Song Quanhou has acted as an independent non-executive director for more than nine years. The Company has received from Mr. Song Quanhou a confirmation of his independence according to Rule 3.13 of the Listing Rules. Throughout his directorship with the Company, Mr. Song Quanhou has participated in Board meetings to give impartial advice and exercise independent judgement, served on various committees of the Board but has never engaged in any executive management. Taking into consideration of the independent nature of his role and duties in the past years, the Board considers Mr. Song Quanhou to be independent under the Listing Rules although he has served the Company for more than nine years. The Board also believes that the continuous appointment of Mr. Song Quanhou as an independent non-executive director will help to maintain the stability of the Board as Mr. Song Quanhou has, over time, gained valuable insights into the business strategy and policies of the Group.

Board meetings

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

Attendance

Code Provision A.1.1 of the Governance Code stipulates that the Board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2016, the Board convened a total of 4 Board meetings, 1 Remuneration and Nomination Committee meetings, 3 Financial Management and Audit Committee meetings, and 1 Strategy and Development Committee meetings, based on the need of the operation and business development of the Company. Besides, the Directors also attended the 2016 AGM to understand the views of the shareholders.

Details of attendance are as follows:

Name	Board Meetings	Board Committee Meetings: Board Remuneration and Nomination Committee	Board Committee Meetings: Financial Management and Audit Committee	Board Committee Meetings: Strategy and Development Committee	2016 AGM
	(Number of Times of Attendance in Person/Number of Meetings)[1]				
Executive Directors:					
Zhu Xinli *(Chairman of the Board)*	4/4	N/A	N/A	1/1	1
Zhu Shengqin	4/4	N/A	N/A	N/A	1
Cui Xianguo	4/4	N/A	N/A	N/A	1
Non-executive Director:					
Andrew Y. Yan	4/4	1/1	N/A	1/1	1
Independent non-executive Directors:					
Leung Man Kit	4/4	1/1	3/3	N/A	1
Song Quanhou	4/4	1/1	3/3	N/A	1
Zhao Yali	4/4	N/A	N/A	1/1	1
Wang Wei	4/4	N/A	3/3	N/A	1

Notes:

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

The Chairman and chief executive officer

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

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

During the year ended 31 December 2016, the chairman of the Board has met with the independent non-executive Directors (without the presence of the executive Directors) to discuss, and obtain independent views of, the Board's affairs.

As required by code provision A.2.1 of the Governance Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The Company appointed Mr. Cui Xianguo, Mr. Liu Jianming, Ms. Ju Xinyan and Mr. Wang Xinnong as the chief executive officer of our four departments, please refer to "Senior Management" on pages 71 to 72 of this annual report for details.

Board Committees

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

Remuneration and Nomination Committee

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

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

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

At the 1 meeting held during the year ended 31 December 2016, the Remuneration and Nomination Committee has reviewed the Directors' fees in terms of the corporate and individual performance, the employment terms of the senior management team within the Group, and the employee share incentives to be granted.

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

Financial Management and Audit Committee

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

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

During the year ended 31 December 2016, the Financial Management and Audit Committee has convened 3 meetings and completed the following major work:

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

(b) reviewed and discussed the audited annual results for the year ended 31 December 2016 and the unaudited interim results for the six months ended 30 June 2016 with the senior management of the Company;

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

(d) supervised the internal audit of the Group;

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

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

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

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

Strategy and Development Committee

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

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

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

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

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

During the 1 meeting held during the year ended 31 December 2016, the Strategy and Development Committee has reviewed the strategic and development plan of the Group.

Corporate governance functions

The corporate governance functions have been reserved to the Board. During the year ended 31 December 2016, the Board has performed the following work:

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

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

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

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

Training for Directors

The Company has regularly provided the Directors with information of relevant training courses. New Directors, upon appointment, will also be provided with a comprehensive, formal and tailored introduction. The Directors have provided the Company with a record of their training received in 2016. A summary of the Directors' participation in continuous professional training for the year ended 31 December 2016 is as follows:

	Attending briefings/ seminars/conferences	Reading materials/ regulatory updates/ management monthly updates	Paying site visit
Executive Directors			
Zhu Xinli	✓	✓	✓
Zhu Shengqin	✓	✓	✓
Cui Xianguo	✓	✓	✓
Non-executive Director			
Andrew Y. Yan	✓	✓	✓
Independent non-executive Directors			
Leung Man Kit	✓	✓	✓
Song Quanhou	✓	✓	✓
Zhao Yali	✓	✓	
Wang Wei	✓	✓	✓

Supply of and access to information

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary, with a view to ensuring that the meeting procedures of the Board and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions. The chairmen of the Board Committees also regularly report at Board meetings on their recommendations and activities. The external auditor attended the 2016 AGM and will be invited to attend our forthcoming AGM to answer questions about the conduct of the audit, preparation and content of the auditors' reports, accounting policies, and auditors' independence.

The constitutional documents of the Company are available on the Company's website and the Hong Kong Stock Exchange's website. During the year ended 31 December 2016, in connection with the creation of restricted voting convertible preference shares of US$0.00001 each in the share capital of the Company, the memorandum and articles of association of the Company were amended at the extraordinary general meeting held on 5 February 2016. Other than as disclosed above, there is no significant change to the constitutional documents of the Company.

Remuneration of Directors

The remuneration policy of the Directors has been recommended, reviewed and approved by the Remuneration and Nomination Committee of the Company. The emoluments of the Directors who served the Group during the year ended 31 December 2016 has been disclosed in note 41 to the consolidated financial statements on pages 165 to 166 of this annual report.

Accountability and audit

Auditor's remuneration

The remuneration payable to the Company's auditor, PricewaterhouseCoopers, during the year ended 31 December 2016 in relation to non-audit assurance services and audit services are RMB3,210,000 and RMB4,780,000, respectively. Non-audit assurance services mainly include 2016 interim review services.

Directors' responsibilities for financial statements

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

Auditor's statement

The statement of the Company's independent external auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended 31 December 2016 is set out on pages 73 to 78 of this annual report.

Risk management and internal control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company's risk management and internal control systems have the following principles, features and processes:

Principles of Risk Management

Risk management is an advanced management technique based on the internal control system of the Company and requires the participation of the Board, the management and the employees of the Company. It is a risk control process applying to the Company's strategic development planning, each process and function of its internal operation for the purpose of identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite, which in turn provides the Company with reasonable assurance to achieve its business objectives.

The objectives of the Company's risk management and internal control are as follows:

(1) Identifying matters that may have potential impacts on the Group and controlling risks according to its risk appetite;

(2) Providing the Board and the Management of the Company with reasonable assurance to achieve the Company's business objectives. This includes but is not limited to: utilizing resources in an efficient and effective way; preventing the loss of assets; maintaining the reliability and integrity of information; keeping consistence between policies, plans, procedures, laws and regulations.

Features of the risk management:

The risk management and internal control system of the Company can be divided into four parts as follows:

(1) Identifying risks: the Financial Management and Audit Committee will supervise the management of the Company to identify uncertainties and decide the degree of such risks.

(2) Risk assessment: The Financial Management and Audit Committee identifies risks from a long-term perspective and assesses different risk parameters while analysing relevant information collected for this purpose. The Financial Management and Audit Committee will draw the attention of the management on related risks.

(3) Critical risk control points of internal control in each business segment: The Company carries out its risk management based on its other internal control systems and strictly complies with the internal control systems of each business segments while implementing measures for each risk control points.

(4) Accounting control: The Company rigorously conforms to the International Financial Reporting Standards, the International Accounting Standards, the disclosure requirement of the Hong Kong Companies Ordinance, the Accounting Standards for Business Enterprises and major accounting policies of the Company, so as to ensure the safety and integrity of its assets and give a true and fair view of its financial position, financial performance and cash flows.

Process of the risk management:

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

The Company instructs its dedicated policy researchers to identify the trend of policy change with an aim to minimize political influence on the Group's business. The Company will also conduct research on laws, regulations and industrial standards to predict potential changes and consult relevant experts when necessary.

During the year ended 31 December 2016, the internal audit department has conducted an examination on various material control aspects including financial and operational controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Financial Management and Audit Committee for review and the findings and recommendations were discussed at the committee meetings. Matters including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and reporting functions were reviewed.

Internal control of confidential information:

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Management Function

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

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

Company Secretary

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

Ms. Mok is a director of KCS Hong Kong Limited and has over 20 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the sole company secretary and joint company secretary of various publicly listed companies. Ms. Mok has taken a total of 15 hours of professional training during the year ended 31 December 2016.

Communications with shareholders and investor relations

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

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

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

The 2016 AGM was an important occasion where the Board and the shareholders could communicate directly with each other. The chairman of the Board and the Board Committees and the external auditor were present at the 2016 AGM to communicate with the shareholders. The 2016 AGM circular distributed to all shareholders before the 2016 AGM contained information regarding the proposed resolutions. In addition, the Company has announced its annual and interim results in a timely manner in accordance with the requirements of the Hong Kong Listing Rules.

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

By order of the Board

Zhu Xinli
Chairman

Beijing, 30 March 2017

Directors and Senior Management

Executive Directors

Mr. Zhu Xinli (朱新禮)

aged 65, is an executive director of the Company and the chairman of the Board and the founder of the Group. Mr. Zhu Xinli is responsible for the overall business strategies, investment project decision and setting the development direction. He is the father of Ms. Zhu Shengqin (an executive director of the Group). He has more than 25 years' experience in juice and beverage industry and has more than 30 years' experience in enterprise operation and management. Before the establishment of the Group in 1992, he had worked as the Deputy Director of the Foreign Economic and Trade Department of Yiyuan County, Shandong Province. He is an Executive Deputy Chairman of the Board of the Association of Chinese Beverage Industry and the Deputy Director of its Juice Division. He received the Award for Prominent Contribution to Chinese Beverage Industry in 2003, the honor of National Labor Model in 2005 and the CCTV Annual Economic Figures, Agricultural Figures in China's 30-year Reform and Opening up and Top Ten Outstanding Leaders in Light Industry during 30-year Reform in 2008. He was the Executive Chairman of China Entrepreneur Club in 2013. He has pursued CEO courses in China Europe International Business School, Cheung Kong Graduate School of Business and Stanford College. He has been engaged as a visiting professor by China Agricultural University, Nankai University and the Chinese Academy of Agricultural Sciences since 2001. He was appointed as the chairman of the Broad and a director of the Company in September 2006. Mr. Zhu Xinli is the director and controlling shareholder of China Huiyuan Holdings, the controlling shareholder of the Company.

Ms. Zhu Shengqin (朱聖琴)

aged 40, is an executive director of the Board. She is in charge of the office of the Board, financial market division and international business cooperation division. Ms. Zhu is a daughter of Mr. Zhu Xinli, the chairman and an executive Director of the Company as well as the controlling shareholder of the Company. Since joining the Group in 1996, she has held various positions, including marketing manager, vice general manager of the investment division, director of the office of the Board, leader of operation teams, and a vice president of the Company. Ms. Zhu has led the Company in various significant capital market transactions such as issue of new shares, acquisition of upstream businesses, introduction of strategic investors and listing of the Company. Ms. Zhu also has extensive experience in corporate operation, brand marketing and production management.

Ms. Zhu holds an executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) and finance executive master of business administration programs in PBC School of Finance, Tsinghua University (清華大學五道口金融學院). She is currently studying doctorate courses in business administration (DBA) at Cheung Kong Graduate School of Business and Singapore Management University, and doctorate courses in Global Finance (GFD) at PBC School of Finance, Tsinghua University.

She was appointed as a director of the Company on 29 August 2014.

Mr. Cui Xianguo (崔現國)

aged 49, is an executive director of the Board and the chief executive officer of the juice division of the Group. He has 29 years of operational and management experience. Since he joined the Group in May 2002, he has held various managerial positions, including general manager of the Group's production plants, general manager for sales, assistant to the President and vice president of the Company. In addition, Mr. Cui is currently a director of Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd. (北京滙源集團咸陽飲料食品有限公司), Beijing Huiyuan Group Kaifeng Co., Ltd. (北京滙源集團開封有限公司), Jiangsu Huiyuan Food & Beverage Co., Ltd. (江蘇滙源食品飲料有限公司) and XuRiSheng (Hengshui) Beverage Co., Ltd. (旭日升 (衡水) 飲料有限公司), all of which are an indirect wholly-owned subsidiary of the Company. Mr. Cui graduated from Shandong University in 1986.

He was appointed as a director of the Company on 18 March 2014.

Non-executive Directors

Mr. Andrew Y. Yan (閻焱)

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

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

Currently, Mr Yan is an Independent Non-executive Director of China Resources Land Ltd (stock code: 01109). CPMC Holdings Ltd (stock code: 00906), Cogobuy Group (stock code: 00400) and China Petroleum & Chemical Corporation (stock code: 00386); Non-executive Director of Digital China Holdings Ltd (stock code: 00861), Guodian Technology & Environment Group Corporation Limited (stock code: 01296) and eSun Holdings Limited (stock code: 00571), all of which are listed on the Main Board of the Hong Kong Stock Exchange. Other than that China Petroleum & Chemical Corporation is also listed on the Shanghai Stock Exchange (stock code: 600028), London Stock Exchange (stock code: SNP) and New York Stock Exchange (stock code: SNP); Mr Yan is also the Independent Director of BlueFocus Communication Group (listed on the ChiNext of the Shenzhen Stock Exchange with stock code 300058), TCL Corporation (listed on the Shenzhen Stock Exchange with stock code 000100) and Sky Solar Holdings Ltd. (listed on NASDAQ with stock code SKYS); and Director of ATA Inc. (listed on NASDAQ with stock code ATAI) and ATA Online (Beijing) Education Technology Co., Ltd (listed on the National Equities Exchange and Quotations System of

China (also known as the New Third Board)). In addition, Mr Yan was an Independent Non-executive Director of Fosun International Ltd (listed on the HK Stock Exchange with stock code: 00656) from March 2007 to September 2014 and China Mengniu Dairy Company Ltd (listed on the HK Stock Exchange with stock code: 02319) from January 2003 to March 2014; a non-executive director of MOBI Development Co., Ltd. (listed on the Hong Kong Stock Exchange with stock code: 00947) from January 2003 to August 2013. Mr Yan was also a non-executive director (from October 2006 to April 2013) and the chairman of the board (from May 2012 to April 2013) of NVC Lighting Holding Limited (listed on the Hong Kong Stock Exchange with stock code: 02222) respectively; a director of Acorn International Inc. (listed on the New York Stock Exchange with stock code: ATV) from December 2006 to December 2014; An Independent Director of Giant interactive Group Inc. (the shares of which were withdrawn from listing on the NASDAQ Stock Market in New York in July 2014) from October 2006 to July 2014. He was the director of China Digital TV Holding Co., Ltd (listed on the New York Stock Exchange with stock code: STV) from November 2013 to Apr 2014; and the director of Eternal Asia Supply Chain Management Ltd. (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange with stock code: 002183) from October 2006 to June 2013.

Mr. Yan was appointed as a non-executive director of the Company in July 2010.

Independent Non-executive Directors

Mr. Leung Man Kit (梁民傑)

aged 63, is an independent non-executive director of the Company. He obtained a Bachelor's Degree in Social Science from the University of Hong Kong in 1977. Mr. Leung has over 30 years of experience in project finance and corporate finance. Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (previously known as Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch, and Optima Capital Limited (previously known as Ke Capital (Hong Kong) Limited). Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung has been a Responsible Officer licensed with the Securities and Futures Commission on the regulated activities of Type 6 since December 2004. Mr. Leung was appointed Deputy Chief Executive Officer of Unitas Holdings Limited (formly known as Chanceton Capital Partners Limited) in March 2011 and was nominated an executive director of Unitas Holdings Limited (formly known as Chanceton Financial Group Limited (HKSE stock code: 8020)), a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited on 21 September 2011.

Mr. Leung has been an independent non-executive director and audit committee member of NetEase, a NASDAQ listed company since July 2002.

Mr. Leung is also currently an independent non-executive director of several listed companies in Hong Kong, namely, China Ting Group Holdings Limited (stock code: 3398) since November 2005; Orange Sky Golden Harvest Entertainment Holdings Limited (stock code: 1132) since February 2008.

In March 2014, Mr. Leung was appointed Independent Non-executive Director and Chairman of Audit Committee of Optics Valley Union Holding Company Limited, a company listed on the Stock Exchange of Hong Kong ("Stock Code: — 798"). In July 2014, Mr. Leung was appointed Independent Non-executive Director and Chairman of Audit Committee of Lyue Pharma, a company listed on the Stock Exchange of Hong Kong ("Stock Code: 2186").

He was appointed as an independent non-executive director of the Company in June 2012.

Mr. Song Quanhou (宋全厚)

aged 55, is an independent non-executive director of the Company. He holds a Master degree in food engineering from the former China National Academy of Light Industry and Science. He is a professor-grade senior engineer. He currently acts as a deputy director of China National Research Institute of Food and Fermentation Industries (CNRIFFI). He has been actively involved in preparing, implementing and enforcing various nationwide food and beverage quality control and testing standards since 1995 and has extensive knowledge and experience in China's food and beverage industry. He has also been actively involved in or responsible for various research projects in food and beverage quality control and testing sponsored by the PRC government, international organizations or enterprises. He was appointed as an independent non-executive director of the Company in January 2007.

Mr. Wang Wei (王巍)

aged 58, is the founder and chairman of the China Mergers & Acquisitions Association (the "CMAA"), president of the Chinese Museum of Finance (the "CMF") and chairman of the China M&A Group. Mr. Wang had served as an independent non-executive director of China Everbright Bank Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6818) from May 2008 to January 2014. He has been an independent non-executive director of Credit China Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8207) since July 2014, an independent director of Shanghai Chengtou Holding Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600649) since May 2011, Lifan Industry (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601777) since December 2010 and Hua Yuan Property Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600743) since November 2014. He has been an independent non-executive director of Guolian Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1456) since March 2015 and an independent director of Neusoft Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600718) since June 2015. Mr. Wang obtained a master's degree in economics from People's Bank of China Institute of Finance in July 1985. Mr. Wang received his PH.D. in economics from Fordham University in the United States in May 1992. He founded the CMAA in September 2004 and the CMF in June 2010. Mr. Wang was selected as a member of the Shanghai Stock Exchange Corporate Governance Advisory Committee in September 2007. Mr. Wang has been named as "Top Five Chinese Investment Bankers" by Talent Magazine in 2003, "the Most Influential Independent Director" by the Board Magazine in 2006 and "the Most Influential Investment Banker" by China Finance Network in 2006. Mr. Wang received the 2012 Lifetime Achievement Award by the M&A Advisor in New York, 2013 Social Innovation Award by The Wall Street Journal and others.

Mr. Wang was appointed as an independent non-executive director of the Company on 16 September 2015.

Ms. Zhao Yali (趙亞利)

aged 59, is an independent non-executive director of the Company. She holds a Bachelor degree from Tianjin Light Industry College and is a professor-grade senior engineer. She is the head and executive committee member of China Light Industry Federation. Her current titles in various associations include the chairman of China Beverage Industry Association and the chairman of its juice sub-committee, the member of Examination Committee on National Standards of Food Safety Examination Committee and the chairman of Technical Committee on Beverage of Standardization Administration of China. In addition, she was an independent director of Guotou Zhonglu Juice Corporation, a company listed on the Shanghai Stock Exchange. She was appointed as an independent non-executive director of the Company in September 2006.

Senior Management

Mr. Zhu Xinli (朱新禮)

is the Chairman of the Board. His profile can be referred to in the previous section of “Executive Directors”.

Mr. Cui Xianguo (崔現國)

Aged 49, is the Chief Executive Officer of the juice division of the Group, also an executive director of the Board. His profile can be referred to the previous section of “Executive Directors”.

Ms. Zhu Shengqin (朱聖琴)

is a Vice President of the Group, also an executive director of the Board. Her profile can be referred to in the previous section of “Executive Directors”.

Mr. Liu Jianming (劉建明)

aged 51, is the chief executive officer of fruit processing division of the Group. Mr. Liu Jianming joined Huiyuan in April 2001 and held a number of management positions in the Company, including General Manager and Vice President. Mr. Liu Jianming graduated from Linyi College of Education with a bachelor’s degree.

Ms. Ju Xinyan (鞠新艷)

aged 37, the chief executive officer of the drinking water division of the Group. She joined the Group in November 2001 and held various positions in the Group, including Deputy Head of the President Office, General Manager of Production Plants, General Manager of Sales Region and Vice President. Ms. Ju Xinyan graduated from Shandong University with a bachelor’s degree.

Mr. Wang Xinnong (王新農)

aged 50, the chief executive officer of Suntory division of the Group. Mr. Wang graduated from CEIBS with a master's degree in business administration. Mr. Wang joined the Company on 31 May 2014. Prior to this, he was a Vice President at PepsiCo Investment (China) Ltd. and was in charge of business in north region. Mr. Wang has 22 years of experience in managing food and beverage companies. He held positions of general manager or above at PepsiCo (China), the Food and Agriculture Department of Sinar Mas Group AFP (China), AB InBev (China), Danone Beverage (China) and BIG China.

pwc 羅兵咸永道

To the Shareholders of China Huiyuan Juice Group Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Huiyuan Juice Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 166, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Fair value of embedded derivatives of convertible bonds

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Note 5 — Critical accounting estimates and judgments and Note 9 — Intangible assets. We focused on this area due to the size of goodwill balance (RMB3,927,131,000 as at 31 December 2016). In addition, goodwill has been allocated to a group of cash generating units ("CGUs") for the purpose of performing goodwill impairment assessment, the recoverable amount of the underlying CGUs was determined based on value-in-use, which is the present value of the future cash flows expected to be derived from the CGUs. Management engaged an independent valuer to determine the recoverable amount of the CGUs. Based on the above valuation results, management concluded that the goodwill was not impaired as at 31 December 2016. The assessment of the recoverable amount of the Group's CGUs involves judgments and use of estimates.	In response to this key audit matter, our key audit procedures included: • We evaluated the management's process in performing goodwill impairment assessment; • We evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group to determine the recoverable amount, based on value-in-use, of the CGUs; • We evaluated the reasonableness of the key assumptions and estimates used by management and the independent valuer in the determination of value-in-use of the CGUs, mainly in relation to: — the forecasted sales and gross margin, by comparing them with actual historical financial data. For the budgeted sales, we also compared to future market growth rate as forecasted and sourced from external parties; — the long term growth rate, by comparing it with the relevant economic forecasts; and — the discount rate (being the weighted average cost of capital), by comparing cost of equity and cost of debt ratio used by the Group to those of comparable companies and comparable corporate bonds issued by other companies respectively;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We tested the numerical accuracy of the calculations in management's assessment of the recoverable amount of the Group's CGUs and goodwill impairment assessment; • We also evaluated management's sensitivity calculation over the recoverable amount of the Group's CGUs, focusing on those key assumptions to which the calculation was most sensitive. Based on the above procedures performed, we found the assumptions and estimates used in management's goodwill impairment assessment to be supported by available evidences.
Fair value of embedded derivatives of convertible bonds Refer to Note 5 — Critical accounting estimates and judgments and Note 24 — Convertible bonds. We focused on this area due to the size of convertible bonds (RMB929,845,000 as at 31 December 2016) and the significant impact of the change in fair value of embedded derivatives of convertible bonds on the statement of comprehensive income (RMB62,630,000 for the year ended 31 December 2016). Management engaged an independent valuer to determine the fair value of embedded derivatives of convertible bonds, which was determined using the binomial model with certain key assumptions, including share price, estimated future conversion price (to be calculated based on future adjusted earnings per share of the Company in the year of conversion according to the terms and conditions of the convertible bond), volatility rate and bond discount rate.	In response to this key audit matter, our key audit procedures included: • We evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group to determine the fair value of embedded derivatives of convertible bonds; • We assessed the appropriateness of the binomial model adopted in determining the fair value of embedded derivatives of convertible bonds; • We evaluated the reasonableness of the key assumptions and estimates used by management and the independent valuer in the valuation model, mainly in relation to: — the share price and the estimated future conversion price, by comparing them with public share price, the terms and conditions of the convertible bonds, and the financial projections prepared by management;

Key Audit Matter	How our audit addressed the Key Audit Matter
As a result, the determination of the fair value of the embedded derivatives of the convertible bonds involves judgments and use of estimates.	— the volatility rate, by comparing management's estimate with the standard deviation of historical volatility of the share prices of the Company; and — the bond discount rate, by comparing it with the cost of debt of comparable corporate bonds issued by other companies; • We evaluated the reasonableness of the data used and management's key assumptions and estimates used in the preparation of the financial projections used in valuation model, by comparing them with those of the future cash flow forecast adopted by management in goodwill impairment assessment; • We tested the numerical accuracy of the calculations in management's valuation model to determine the fair value of the embedded derivatives of the convertible bond. Based on the above procedures performed, we found the assumptions and estimates used in management's valuation of fair value of embedded derivatives of convertible bonds to be supported by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong, Stephen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

Consolidated Balance Sheet

		As at 31 December	
		2016	2015
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**896,420**	951,379
Property, plant and equipment	8	**6,043,254**	6,433,821
Intangible assets	9	**4,134,984**	4,162,215
Deferred income tax assets	11	**124,867**	134,861
Long-term prepayment	12	**66,115**	146,418
Investments accounted for using the equity method	13	**45,259**	22,352
Long-term receivable	14	**77,909**	1,038
Total non-current assets		**11,388,808**	11,852,084
Current assets			
Inventories	16	**1,216,958**	1,293,340
Trade and other receivables	15	**4,020,301**	2,127,135
Available-for-sale financial assets	17	**380,405**	555,504
Restricted cash and short-term bank deposits	18	**1,554,125**	624,407
Cash and cash equivalents	18	**1,896,351**	1,631,547
Total current assets		**9,068,140**	6,231,933
Total assets		**20,456,948**	18,084,017

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	**189**	181
Share premium	19	**8,883,182**	8,341,716
Convertible preference shares	19	**—**	541,474
Other reserves		**380,900**	341,314
Retained earnings		**1,057,225**	1,055,562
		10,321,496	10,280,247
Non-controlling interests in equity		**140,310**	141,685
Total equity		**10,461,806**	10,421,932
LIABILITIES			
Non-current liabilities			
Borrowings	22	**2,590,885**	2,502,994
Deferred government grants	23	**26,924**	32,493
Trade and other payables	21	**23,423**	55,135
Deferred income tax liabilities	11	**8,523**	8,885
Convertible bonds	24	**—**	906,996
Total non-current liabilities		**2,649,755**	3,506,503
Current liabilities			
Trade and other payables	21	**2,592,430**	1,965,050
Convertible bonds	24	**929,845**	219,536
Taxation payable		**110,216**	53,945
Deferred revenue		**9,311**	8,997
Borrowings	22	**3,703,585**	1,908,054
Total current liabilities		**7,345,387**	4,155,582
Total liabilities		**9,995,142**	7,662,085
Total equity and liabilities		**20,456,948**	18,084,017

The notes on pages 84 to 166 are an integral part of these consolidated financial statements.

The financial statements on pages 79 to 166 were approved by the Board of Directors on 30 March 2017 and were signed on its behalf.

Director *Director*

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	6	**5,741,396**	5,682,296
Cost of sales	27	**(3,407,247)**	(3,512,954)
Gross profit		**2,334,149**	2,169,342
Selling and marketing expenses	27	**(1,529,381)**	(1,812,336)
Administrative expenses	27	**(409,429)**	(375,076)
Other income — net	25	**144,956**	215,522
Other gains — net	26	**38,493**	302,699
Finance expenses	29	**(585,947)**	(550,240)
Finance income	30	**50,864**	19,625
Unrealised gain/(loss) on change of fair value of embedded derivatives of convertible bonds	24	**62,630**	(92,340)
Share of (loss)/profit of investments accounted for using the equity method	13	**(2,593)**	6,837
Profit/(loss) before income tax		**103,742**	(115,967)
Income tax expense	31	**(91,837)**	(112,855)
Profit/(loss) for the year		**11,905**	(228,822)
Profit/(loss) attributable to:			
Equity holders of the Company		**13,280**	(228,816)
Non-controlling interests		**(1,375)**	(6)
		11,905	(228,822)
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		**27,730**	12,484
Total comprehensive income/(loss) for the year		**39,635**	(216,338)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**41,010**	(216,332)
Non-controlling interests		**(1,375)**	(6)
		39,635	(216,338)
Earnings/(loss) per share attributable to the ordinary shareholders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**0.5**	(8.6)
— diluted	32(b)	**0.5**	(8.6)
Earnings/(loss) per share attributable to the preference shares holders of the Company during the year (expressed in RMB cents per share)			
— basic	32(a)	**0.5**	(8.6)
— diluted	32(b)	**0.5**	(8.6)

The notes on pages 79 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Convertible preference shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
Balance at 1 January 2016		181	8,341,716	541,474	341,314	1,055,562	10,280,247	141,685	10,421,932
Comprehensive income									
Profit/(loss) for the year		–	–	–	–	13,280	13,280	(1,375)	11,905
Other comprehensive income		–	–	–	27,730	–	27,730	–	27,730
Total comprehensive income/(loss)		–	–	–	27,730	13,280	41,010	(1,375)	39,635
Transactions with owners									
Share-based compensation		–	–	–	239	–	239	–	239
Profit appropriation to statutory reserves		–	–	–	11,617	(11,617)	–	–	–
Shares converted from convertible preference shares	19	8	541,466	(541,474)	–	–	–	–	–
Total transactions with owners		8	541,466	(541,474)	11,856	(11,617)	239	–	239
Balance at 31 December 2016		189	8,883,182	–	380,900	1,057,225	10,321,496	140,310	10,461,806
Balance at 1 January 2015		180	8,303,542	541,474	297,814	1,315,019	10,458,029	141,691	10,599,720
Comprehensive income									
Loss for the year		–	–	–	–	(228,816)	(228,816)	(6)	(228,822)
Other comprehensive income		–	–	–	12,484	–	12,484	–	12,484
Total comprehensive income/(loss)		–	–	–	12,484	(228,816)	(216,332)	(6)	(216,338)
Transactions with owners									
Share-based compensation		–	–	–	375	–	375	–	375
Issuance of ordinary shares	19	1	38,174	–	–	–	38,175	–	38,175
Profit appropriation to statutory reserves		–	–	–	30,641	(30,641)	–	–	–
Total transactions with owners		1	38,174	–	31,016	(30,641)	38,550	–	38,550
Balance at 31 December 2015		181	8,341,716	541,474	341,314	1,055,562	10,280,247	141,685	10,421,932

The notes on pages 79 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**7,468**	681,509
Interest paid		**(345,683)**	(218,226)
Interest received		**46,332**	19,625
Income tax paid		**(25,937)**	(108,372)
Cash flows from operating activities — net		**(317,820)**	374,536
Cash flows from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed	37(a)	**154,057**	1,328,957
Proceeds from disposal of sales offices	37(b)	**92,180**	—
Proceeds from disposal of property, plant and equipment		**55,752**	28,575
Purchase of property, plant and equipment		**(292,095)**	(818,757)
Purchase of land use rights		**(12,708)**	(26,232)
Investment in an unlisted fund		**(50,000)**	—
Investment in a joint venture	13	**(25,500)**	(5,000)
Decrease/(increase) in available-for-sale financial assets, net		**225,000**	(277,597)
Investment income on available-for-sale financial assets		**4,532**	4,785
Increase in restricted cash and short-term bank deposits, net		**(929,718)**	(171,525)
Prepayment for investment		**(5,000)**	—
Cash flows from investing activities — net		**(783,500)**	63,206
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	19(b)	**—**	38,175
Redemption of convertible bonds		**(224,225)**	—
Proceeds from banks borrowings		**698,248**	3,667,260
Repayments of bank borrowings		**(993,318)**	(4,559,779)
Repayments of finance lease liability		**(105,208)**	—
Proceeds from issuance of corporate bonds	22(b)	**2,000,000**	1,354,262
Issuance cost in relation to corporate bonds	22(b)	**(19,080)**	(12,857)
Cash flows from financing activities — net		**1,356,417**	487,061
Exchange gains on cash and cash equivalents		**9,707**	12,371
Net increase in cash and cash equivalents		**264,804**	937,174
Cash and cash equivalents at beginning of the year	18	**1,631,547**	694,373
Cash and cash equivalents at end of the year	18	**1,896,351**	1,631,547

The notes on pages 79 to 166 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

China Huiyuan Juice Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and sales of concentrate, puree and juice beverages in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 30 March 2017.

2. Basis of preparation

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

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

3. Summary of significant accounting policies

(a) New and amendments to standards adopted by the Group

The Group has adopted the following amendments to standards which are mandatory for the financial year beginning on 1 January 2016:

Amendments to standards		Effective for accounting periods beginning on or after
Annual Improvements Projects	Annual Improvements 2012–2014 cycle	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016

The adoption of above amendments does not have any significant financial impact on these consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

3. Summary of significant accounting policies (Continued)

(b) New standards and interpretations not yet adopted (Continued)

i) *IFRS 9, 'Financial instruments'*

The new standard 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 effects of applying the new standard on the Group's financial statements.

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 contracts for goods and 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.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and the following areas, if applicable, may be affected:

- revenue — the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and

- rights of return — IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new standard on the Group's financial statements. The Group will perform more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

3. Summary of significant accounting policies (Continued)

(b) New standards and interpretations not yet adopted (Continued)

iii) IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB23,495,000, see Note 36. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries

3.1.1 Consolidation

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 3.6).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(c) Disposal of subsidiaries

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

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.2 Separate financial statements

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

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

3.1.3 Associates

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

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

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

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

3. Summary of significant accounting policies (Continued)

3.1 Subsidiaries (Continued)

3.1.3 Associates (Continued)

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

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

3.1.4 Joint arrangements

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

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

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

3. Summary of significant accounting policies (Continued)

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

3.4 Property, plant and equipment

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

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

3. Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3.7).

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

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

3.5 Land use rights

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

3.6 Intangible assets

(a) Goodwill

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

3. Summary of significant accounting policies (Continued)

3.6 Intangible assets (Continued)

(a) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. As the Group mainly engaged in one operating segment of juice and beverage business, the Company and subsidiaries were collectively viewed as one cash-generating unit (Note 3.7).

(b) Trademarks

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

(c) Computer software licences

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

(d) Sales distribution networks and customer relationships

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

3.7 Impairment of non-financial assets

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

3. Summary of significant accounting policies (Continued)

3.8 Financial assets

3.8.1 Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables mainly comprise trade and other receivables, restricted cash, short-term bank deposits, cash and cash equivalents in the balance sheet (Note 3.10 and 3.11).

(b) Available-for-sale financial assets

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

3.8.2 Recognition and measurement

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

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

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

3. Summary of significant accounting policies (Continued)

3.8 Financial assets (Continued)

3.8.2 Recognition and measurement (Continued)

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

3.8.3 Offsetting financial instruments

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

3.8.4 Impairment of financial assets

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

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. Summary of significant accounting policies (Continued)

3.8 Financial assets (Continued)

3.8.4 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

(b) Assets classified as available for sale

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

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

3. Summary of significant accounting policies (Continued)

3.9 Inventories

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

3.10 Trade and other receivables

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

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

3.11 Cash and cash equivalents

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

3.12 Share capital

Ordinary shares are classified as equity.

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

3.13 Trade payables

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

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

3. Summary of significant accounting policies (Continued)

3.14 Borrowings

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

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

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

3. Summary of significant accounting policies (Continued)

3.15 Convertible instruments

(a) Convertible bonds

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

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

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

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

(b) Convertible preference shares

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

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

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

3. Summary of significant accounting policies (Continued)

3.16 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

3. Summary of significant accounting policies (Continued)

3.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

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

(c) Offsetting

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

3.17 Employee benefits

(a) Pension obligations

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

(b) Other benefits

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

3.18 Share-based payments

(a) Equity-settled share-based payment transactions

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

3. Summary of significant accounting policies (Continued)

3.18 Share-based payments (Continued)

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

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

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

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

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

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

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

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

(b) Share-based payment transactions among group entities

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

3. Summary of significant accounting policies (Continued)

3.19 Provisions

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

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

3.20 Revenue recognition

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

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

(a) Sales of goods

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

(b) Bill and hold sales

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

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

3. Summary of significant accounting policies (Continued)

3.20 Revenue recognition (Continued)

(c) Interest income

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

(d) Barter transactions

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

3.21 Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3. Summary of significant accounting policies (Continued)

3.22 Dividend distribution

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

3.23 Government grants

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

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

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

3.24 Customer royalty program

The Group grants to its customer award credits as part of sales of goods, and subject to certain qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Group recognizes the values of award credits as deferred revenue at their fair value. Revenue is recognised when award credits are redeemed and the Group fulfils its obligations to supply the awards.

4. Financial risk management

4.1 Financial risk factors

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

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(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 bonds and finance lease liabilities) denominated in USD and EUR. The Group did not use forward contract/derivative instruments in 2016 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 31 December 2016, if RMB strengthened/weakened by 5% against USD and EUR with all other variables remaining unchanged, the Group's post-tax profit for 2016 would have been increased/decreased by RMB216,253,000 (2015: post-tax loss to be decreased/increased by RMB254,489,000), 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.

(b) Price risk

The Group is exposed to price risk in fair value of conversion rights of the convertible bonds. A rise of the stock price will be accompanied by an increase in the fair value of the conversion rights which will increase the unrealised loss on the change of fair value of embedded derivative of the convertible bonds as well as the liability of the Group. For details of the convertible bonds, refer to Note 24.

(c) Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, short-term bank deposits as well as trade and other receivables.

The Group's credit sales are made to selected customers, including distributors with long-term relationship and supermarkets that signed sales contracts with credit terms. The Group assesses the credit quality of its customers by taking into account various factors including their financial position and past experience. The credit terms are regularly monitored. The Group has policies in place to ensure that trade receivables are followed up in a timely manner. The balance of the trade receivables from the top 5 largest customers was RMB288,605,000 as at 31 December 2016 (2015: RMB218,439,000), representing 9% of the total balance of trade receivables at 31 December 2016 (2015: 12%).

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

Substantially all the Group's cash at banks and bank deposits are deposited in financial institutions in Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. As at 31 December 2016, the bank balances held at the five major banks, all of which are state-owned banks, listed banks in the Chinese domestic capital markets or reputable regional commercial banks, amounted to RMB2,611,640,000 (2015: RMB2,117,591,000). These balances represent 76% of total bank balances at 31 December 2016 (2015: 94%).

(d) Liquidity risk

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

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

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2016				
Non-current bank borrowings	**–**	**942,183**	**–**	**–**
Current bank borrowings	**1,606,134**	**–**	**–**	**–**
Interest payable for bank borrowings	**64,943**	**2,554**	**–**	**–**
Finance lease liabilities	**73,929**	**70,879**	**129,210**	**–**
Corporate bonds	**2,168,211**	**1,484,011**	**–**	**–**
Convertible bonds	**1,083,421**	**–**	**–**	**–**
Trade and other payables	**2,592,430**	**11,712**	**11,711**	**–**
At 31 December 2015				
Non-current bank borrowings	–	869	882,061	–
Current bank borrowings	1,854,341	–	–	–
Interest payable for bank borrowings	68,273	20,490	20,340	–
Finance lease liabilities	65,041	62,921	174,034	–
Corporate bond	21,995	21,995	1,430,038	–
Convertible bonds	252,718	983,780	–	–
Trade and other payables	1,818,432	13,000	42,135	–

4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(e) Cash flow and fair value interest rate risk

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

At 31 December 2016, if interest rates on borrowings (including corporate bonds and finance lease liabilities) and convertible bonds denominated in USD and EUR had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB33,875,158 (2015: RMB34,704,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

4.2 Capital risk management

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

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

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated both as the total of borrowings (including and excluding convertible bonds) divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2016, the debt-to-equity ratio was 70.0% (including convertible bonds) (2015: 53.9%), and 61.0% (excluding convertible bonds) (2015: 42.9%), respectively.

4. Financial risk management (Continued)

4.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	380,405	380,405
Liabilities				
Embedded derivatives of 2019 Convertible bonds	–	–	41,095	41,095

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
Assets				
Available-for-sale financial assets	–	–	555,504	555,504
Liabilities				
Embedded derivatives of 2019 Convertible bonds	–	–	103,725	103,725

4. Financial risk management (Continued)

4.3 Fair value estimation (Continued)

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$2.59 as at 31 December 2016, if the market price of the Company's share had been HK$1 higher/lower than that at 31 December 2016, the fair value of the embedded derivatives of the 2019 Convertible Bonds would have increased/decreased by approximately RMB90,115,000 and RMB41,095,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 31 December 2016, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by approximately RMB9,264,000 and RMB6,048,000, respectively. If the volatility rate had been 1% higher/lower than management's estimates at 31 December 2016, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB2,845,000 and RMB2,875,000, respectively.

5. Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

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

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

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

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

(b) Impairment of goodwill

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

As of 31 December 2016, value-in-use of the cash-generating unit ("CGU") was higher than the carrying amount of the CGU. If the budgeted revenue growth rates used in the value-in-use calculation for the CGU had been 2% lower than management's estimates for each of the year during the forecast period at 31 December 2016, it would have decreased the value-in-use of the CGU by 10%, which would approximate the carrying amount of the CGU.

5. Critical accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions (Continued)

(c) Net realisable value of inventories

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

(d) Income taxes

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

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. Management believes that these subsidiaries will continuously be qualified to be exempted from income taxes after approval of the local competent tax authorities.

(e) Provision for impairment of receivables

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

(f) Fair value of the embedded derivatives of convertible bonds

The fair value of the embedded derivatives of convertible bonds are determined using valuation techniques based on an option pricing model. The key assumptions and estimates used in the valuation mainly included share price, estimated future conversion price, share price volatility rate and discount rate. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair values of the convertible bonds and the embedded conversion options are set out in Note 24.

6. Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess the revenue from a perspective of products. The Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers, which are considered as one segment. After the completion of the acquisition of puree and concentrated juice business in October 2013, the Group becomes a vertically integrated business with operations along the value chain from fruit processing to sales and marketing of juice and other beverage products. The puree and concentrated business does not have a majority of revenue from external customers, and management does not separately review the performance of the business nor report the business externally as an operating segment. As a result, the puree and concentrated juice business has been combined into the juice and other beverage products segment.

6. Revenue and segment information (Continued)

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

	2016 RMB'000	2015 RMB'000
100% juice products	**2,017,647**	1,598,069
Nectars	**1,407,875**	1,355,550
Juice drinks	**1,020,409**	1,174,513
Other beverage products	**1,295,465**	1,554,164
	5,741,396	5,682,296

The Group had barter sales of approximately RMB55,904,000 (2015: RMB43,187,000) during the year, mainly in exchange for transportation vehicles and office equipment.

7. Land use rights

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

	2016 RMB'000	2015 RMB'000
In PRC held on:		
Leases of between 30 to 50 years	**896,420**	951,379
Representing:		
Opening net book amount	**951,379**	1,099,054
Additions	**12,708**	43,086
Amortisation charge (Note 27)	**(21,668)**	(23,711)
Disposal of subsidiaries (Note 37)	**(45,999)**	(167,050)
Closing net book amount	**896,420**	951,379

8. Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	**1,254,686**	**3,848,758**	**104,682**	**91,066**	**1,134,629**	**6,433,821**
Additions	**4,875**	**41,146**	**72,937**	**5,200**	**410,987**	**535,145**
Transfer upon completion	**72,105**	**265,104**	**6,037**	**11,681**	**(354,927)**	**–**
Disposals	**(72)**	**(33,510)**	**(79,690)**	**(107)**	**–**	**(113,379)**
Disposal of subsidiaries (Note 37)	**(76,329)**	**(252,252)**	**(3,254)**	**(1,725)**	**(21,958)**	**(355,518)**
Depreciation (a) (Note 27)	**(39,241)**	**(386,528)**	**(11,102)**	**(19,944)**	**–**	**(456,815)**
Closing net book amount	**1,216,024**	**3,482,718**	**89,610**	**86,171**	**1,168,731**	**6,043,254**
At 31 December 2016						
Cost	**1,434,655**	**6,222,219**	**198,938**	**348,167**	**1,168,731**	**9,372,710**
Accumulated depreciation	**(218,631)**	**(2,739,501)**	**(109,328)**	**(261,996)**	**–**	**(3,329,456)**
Net book amount	**1,216,024**	**3,482,718**	**89,610**	**86,171**	**1,168,731**	**6,043,254**
Year ended 31 December 2015						
Opening net book amount	1,414,425	4,306,142	163,856	124,553	721,965	6,730,941
Additions	75,766	187,321	78,399	15,848	847,889	1,205,223
Transfer upon completion	76,175	116,502	2,149	8,461	(203,287)	–
Disposals	(58)	(1,633)	(113,584)	(220)	–	(115,495)
Disposal of subsidiaries (Note 37)	(268,476)	(352,657)	(13,305)	(30,748)	(231,938)	(897,124)
Depreciation (a) (Note 27)	(43,146)	(406,917)	(12,833)	(26,828)	–	(489,724)
Closing net book amount	1,254,686	3,848,758	104,682	91,066	1,134,629	6,433,821
At 31 December 2015						
Cost	1,448,342	6,343,485	215,059	344,277	1,134,629	9,485,792
Accumulated depreciation	(193,656)	(2,494,727)	(110,377)	(253,211)	–	(3,051,971)
Net book amount	1,254,686	3,848,758	104,682	91,066	1,134,629	6,433,821

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

	2016 RMB'000	2015 RMB'000
Cost of sales	**412,274**	432,899
Administrative expenses	**24,445**	28,143
Selling and marketing expenses	**20,096**	28,682
	456,815	489,724

8. Property, plant and equipment (Continued)

(b) Operating lease rentals amounting to approximately RMB43,306,000 for the year ended 31 December 2016 (2015: RMB51,159,000) relating to the lease of building and machinery are included in the consolidated statement of comprehensive income.

(c) There is no property, plant and equipment of the Group pledged as security for bank borrowings at 31 December 2016 (2015: nil).

(d) During the year, the Group has capitalised borrowing costs amounting to RMB50,711,000 (2015: RMB65,816,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of the Group's general borrowings of 5.71% (2015: 6.65%).

9. Intangible assets

	Goodwill RMB'000	Sales distribution networks and customer relationships RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening net book amount	**3,927,131**	**127,595**	**105,758**	**1,731**	**4,162,215**
Amortisation charge (a) (Note 27)	**–**	**(21,076)**	**(5,930)**	**(225)**	**(27,231)**
Closing net book amount	**3,927,131**	**106,519**	**99,828**	**1,506**	**4,134,984**
At 31 December 2016					
Cost	**3,927,131**	**226,924**	**177,907**	**2,219**	**4,334,181**
Accumulated amortisation and impairment (b)	**–**	**(120,405)**	**(78,079)**	**(713)**	**(199,197)**
Net book amount	**3,927,131**	**106,519**	**99,828**	**1,506**	**4,134,984**
Year ended 31 December 2015					
Opening net book amount	3,941,580	146,499	111,689	1,152	4,200,920
Additions	–	–	–	679	679
Amortisation charge (a) (Note 27)	–	(18,904)	(5,931)	(100)	(24,935)
Disposal of subsidiaries (Note 37)	(14,449)	–	–	–	(14,449)
Closing net book amount	3,927,131	127,595	105,758	1,731	4,162,215
At 31 December 2015					
Cost	3,927,131	226,924	177,907	2,219	4,334,181
Accumulated amortisation and impairment (b)	–	(99,329)	(72,149)	(488)	(171,966)
Net book amount	3,927,131	127,595	105,758	1,731	4,162,215

9. Intangible assets (Continued)

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

(b) Impairment test for goodwill

As at 31 December 2016, goodwill of the Group amounted to RMB3,927,131,000, including goodwill of RMB151,618,000 which was generated from acquisition of juice business in PRC in previous years before listing and goodwill of RMB3,775,513,000, which was generated from acquisition of one of the Group's major supplier of puree and concentration business in 2013.

Goodwill is monitored by the Board of Directors at the operating segment level. As the Group is considered as one reportable segment (Note 6), impairment assessment of goodwill is performed on a consolidated basis, i.e., considering the Group as a group of cash generating units (the "CGUs"). The recoverable amounts of the CGUs have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period at the expected production capacity. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3%.

The other key assumptions used for value-in-use calculations in 2016 mainly include budgeted gross margin, which is within a range of 41%–42%. The post-tax discount rate used in goodwill impairment assessment for the year ended 31 December 2016 is 11.0% (2015: 11.0%).

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

Based on above assessment, the directors are of the view that there was no impairment of goodwill as at 31 December 2016.

(c) Sales distribution networks and customer relationships

The Group paid RMB153,734,000 to acquire certain sales distribution networks from certain major distributors in May 2008.

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

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

The balances are amortised over the expected useful lives of the sales distribution networks and customer relationships.

Notes to the Consolidated Financial Statements (Continued)

10. Subsidiaries

(a) The following was the list of all subsidiaries at 31 December 2016:

Name	Place of incorporation	Principal activities	Registered capital	Interest held
Directly held				
Huiyuan Beijing Holdings Limited	British Virgin Islands ("BVI")	Investment holdings	US$50,000 (US $ 1 Per ordinary Share)	100%
Huiyuan Shanghai Holdings Limited	BVI	Investment holdings	US$50,000 (US $ 1 Per ordinary Share)	100%
Huiyuan Chengdu Holdings Limited	BVI	Investment holdings	US$50,000 (US $ 1 Per ordinary Share)	100%
Huiyuan Europe Ltd.	UK	Trade	GBP1,000	100%
Huiyuan Europe GmbH	Germany	Trade	EUR25,000	100%
Huiyuan Asia Pacific Holding PTE. LTD.	Singapore	Investment holdings	US100	100%
Indirectly held				
[1]Beijing Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB320,225,892	100%
[1]Beijing Huiyuan Group Kaifeng Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Harbin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Jiujiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB250,000,000	100%
[1]Beijing Xinyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Luzhong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB2,855,119,091	100%
[1]Xinjiang Huiyan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB159,056,500	100%
[1]Hebei Huiyuan Food & Berverage Co., Ltd	The PRC	Manufacture of fruit and vegetable juices	RMB3,614,401,483	100%
[1]Qiqihaer Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Guilin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Anhui Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$29,800,000	100%
[1]Dezhou Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$50,000,000	100%
[1]Jiangsu Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB266,938,300	100%
[1]Beijing Huiyuan Biotechnology Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Dangshan Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]Zhongxiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB180,070,832	100%
[1]Beijing Tongchenghongye Trading Co., Ltd	The PRC	Manufacture of fruit and vegetable juices	RMB10,000,000	100%
[1]Ningxia Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB103,732,500	100%

10. Subsidiaries (Continued)

(a) The following was the list of all subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[1]Suqian Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Shanxi Yangling Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB120,000,000	100%
[1]Shandong Yuanda Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$8,000,000	100%
[1]Nanchong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Hengshui Huiyuan Food & Beverage Co., Ltd.	The PRC	Marketing & sales of fruit and vegetable juices	US$15,000,000	100%
[1]Yuncheng Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Yongchun Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Yunhe Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$34,000,000	100%
[1]Beijing Huiyuan Portable Water Co., Ltd.	The PRC	Sales of portable water	RMB3,000,000	100%
[1]Huanggang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]XuRiSheng (Hengshui) Beverage Co., Ltd.	The PRC	Manufacture of "XuRiSheng" ice tea beverage	RMB30,000,000	100%
[1]Heilongjiang Kedong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of mineral water	RMB30,000,000	100%
[1]China Huiyuan Industry Holding Limited	BVI	Investment holdings	US$1	100%
[1]China Huiyuan Industry Limited	Hong Kong	Investment holdings	HK$1	100%
[1]Beijing Huiyuan Total Fruit Industry Limited	The PRC	Investment holdings	US$142,900,000	100%
[1]Beijing Huiyuan Group Wanrong Co., Ltd.	The PRC	Manufacture of puree, concentrated juice and preform	RMB60,000,000	100%
[1]Beijing Huiyuan Group Jizhong Food & Beverage Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB66,000,000	100%
[1]Huiyuan Jiulonggou Biology and Farming Limited	The PRC	Manufacture of puree and concentrated juice	RMB877,700,000	100%
[1]Beijing Huiyuan Group Leling Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB100,000,000	100%
[1]Beijing Huiyuan Group Pingyi Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB2,000,000	100%
[1]Beijing Huiyuan Group Wanbei Fruit Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB8,000,000	100%
[1]Taian Huiyuan Food and Beverage Co. Ltd.	The PRC	Manufacture of preform	RMB97,660,000	100%
[1]Beijing Huiyuan Group Yangling Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Beijing Huiyuan Group Hengshui Co., Ltd.	The PRC	Manufacture of puree and concentrated juice	RMB5,000,000	100%
[1]Shandong Yiyuan Yongxin Packing Co., Ltd.	The PRC	Manufacture of carton	RMB1,000,000	100%
[1]Kashi Huiyuan Food & Beverage Co., Ltd.	The PRC	Trading of fruit and vegetable juices	RMB20,000,000	100%
[1]Shanxi Guangfuyuan Trading Company Limited	The PRC	Sales of juice and beverages	RMB1,020,000	100%
[1]Lingbao Huiyuan Jindi Eucommia Industry Co., Ltd.	The PRC	Planting and processing of Eucommia	RMB300,000,000	100%
[1]Jilin Shengzeyuan Trading Co., Ltd	The PRC	Trading of fruit and vegetable juices	RMB1,000,000	100%
[1]Beijing Qianyubaoli Trading Co., Ltd	The PRC	Trading of fruit and vegetable juices	RMB2,000,000	100%

10. Subsidiaries (Continued)

(a) The following was the list of all subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation	Principal activities	Registered capital	Interest held
[1]Tianjin Huiyuan Qianyu Trading Co., Ltd*	The PRC	Trading of fruit and vegetable juices	RMB1,000,000	100%
[1]Puer Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB30,000,000	100%
[1]Shanghai Huiyin Food Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB129,119,900	100%
[1]Ningxia Hongxiangyuan Trading Co., Ltd*	The PRC	Sales of juice and beverages	RMB1,100,000	100%
[1]Kashi Fukuan Trading Co., Ltd.*	The PRC	Sales of juice and beverages	RMB10,000,000	100%
[1]Kashi Huiyuan Total Fruit Industry Limited*	The PRC	Investment holdings	RMB80,000,000	75%
Huiyuan Italia S.R.L.*	Italy	Investment holdings	EUR15,000	100%
Tianjin Huiyuan Yijia Trading Co., Ltd.*	The PRC	Sales of juice and beverages	RMB50,000,000	100%
Beijing Huiyuan Group Zhongxiang Shierkang Co., Ltd.*	The PRC	Manufacture of mineral water and juice	RMB100,000,000	100%

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

* These subsidiaries were newly established during the year of 2016.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 amounted to RMB140,310,000 (2015: RMB141,685,000). No subsidiary has non-controlling interests that are material to the Group.

11. Deferred income tax

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**81,061**	114,627
— Deferred tax asset to be recovered within 12 months	**43,806**	20,234
	124,867	134,861
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(8,161)**	(8,523)
— Deferred tax liability to be recovered within 12 months	**(362)**	(362)
	(8,523)	(8,885)
Deferred tax assets (net)	**116,344**	125,976

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

	2016 RMB'000	2015 RMB'000
At 1 January	**125,976**	133,453
Tax losses	**(4,312)**	(8,395)
Deferred revenue and other unpaid payables	**79**	(404)
Amortisation of trademarks	**(347)**	(347)
Government grants received	**—**	(1,560)
Provisions for impairment of inventories and receivables	**(906)**	(483)
Unrealised profit	**(4,508)**	4,207
Revaluation (a)	**362**	362
Other temporary differences	**—**	(857)
At 31 December	**116,344**	125,976

11. Deferred income tax (Continued)

Deferred tax assets	Provisions RMB'000	Deferred government grants RMB'000	Amortisation of trademarks RMB'000	Tax losses RMB'000	Unrealised Profit RMB'000	Deferred Revenue and other unpaid payables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	6,097	1,560	6,529	115,327	9,677	2,653	857	142,700
(Charged)/credited to the consolidated statement of comprehensive income	(483)	(1,560)	(347)	(8,395)	4,207	(404)	(857)	(7,839)
At 31 December 2015	**5,614**	**–**	**6,182**	**106,932**	**13,884**	**2,249**	**–**	**134,861**
(Charged)/credited to the consolidated statement of comprehensive income	**(906)**	**–**	**(347)**	**(4,312)**	**(4,508)**	**79**	**–**	**(9,994)**
At 31 December 2016	**4,708**	**–**	**5,835**	**102,620**	**9,376**	**2,328**	**–**	**124,867**

Deferred tax liabilities	Revaluation[(a)] RMB'000
At 1 January 2015	(9,247)
Credited to the consolidated statement of comprehensive income	362
At 31 December 2015	(8,885)
Credited to the consolidated statement of comprehensive income	362
At 31 December 2016	(8,523)

(a) Deferred tax liabilities results from the revaluation of the assets acquired from the acquisition of puree and concentrated juice business in 2013. Certain subsidiaries acquired whose major business is related to processing of agricultural products are exempted from income taxes after approval of the local competent tax authorities. As a result, no deferred income tax liabilities were recognized for the revaluation of the assets of these subsidiaries.

(b) Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB244,446,000 (2015: RMB227,554,000) in respect of losses amounting to RMB977,784,000 (2015: RMB910,216,000) that can be carried forward against future taxable income. The related losses amounting to RMB40,974,000 (2015: RMB30,386,000) and RMB936,810,000 (2015: RMB879,830,000) will expire in 2017 and the years between 2018 and 2021 respectively.

Deferred income tax liabilities of RMB8,297,000 (2015: RMB47,448,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC at 31 December 2016. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the years ended 31 December 2016 and 2015 since the Group has no plan to distribute such profits in the foreseeable future.

12. Long-term prepayment

	2016 RMB'000	2015 RMB'000
Long-term prepayment for property, plant and equipment	**61,115**	146,418
Prepayment for investment	**5,000**	—
	66,115	146,418

13. Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**14,675**	15,673
Joint ventures	**30,584**	6,679
At 31 December	**45,259**	22,352

The amounts recognised in the statement of comprehensive income are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**(998)**	9,892
Joint ventures	**(1,595)**	(3,055)
For the year ended 31 December	**(2,593)**	6,837

Investment in associates:

	2016 RMB'000	2015 RMB'000
At 1 January	**15,673**	5,781
Share of (loss)/gain of associates	**(998)**	9,892
At 31 December	**14,675**	15,673

The directors of the Company are of the view that none of the Group's associates is individually material to the Group as at 31 December 2016.

13. Investments accounted for using the equity method (Continued)

Nature of investment in associates as at 31 December 2016:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Golden Creation (Cayman) Trade Co. Ltd.	Cayman Islands	18.83	Note 1	Equity method
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd.	The PRC	30.00	Note 2	Equity method
Huiyuan Suntory (Shanghai) Beverage Co., Ltd.	The PRC	50.00	Note 3	Equity method

Note 1 Although the Group holds less than 20% of the equity shares of Golden Creation (Cayman) Trade Co. Ltd. ("Golden Creation"), the Group exercises significant influence over Golden Creation by virtue of its contractual right to appoint director to the board of directors of Golden Creation and has the power to participate in the financial and operating policy decisions of Golden Creation.

Note 2 The investment in Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd. ("Beijing Xiangjuzhai") has been reduced to nil since 31 December 2013. There was no additional obligation to share the loss of Beijing Xiangjuzhai for the years ended 31 December 2016 and 2015.

Note 3 The Group's initial investment in Huiyuan Suntory was nil since it had been operating at a loss and recorded a financial position of net liabilities prior to the investment. For the year ended 31 December 2016, the Group did not share any profit or loss from Huiyuan Suntory due to its accumulated loss position.

Investment in a joint venture:

	2016 RMB'000	2015 RMB'000
At 1 January	**6,679**	4,734
Investment in a joint venture	**25,500**	5,000
Share of loss of a joint venture	**(1,595)**	(3,055)
At 31 December	**30,584**	6,679

The directors of the Company are of the view that Group's joint venture is not material to the Group as at 31 December 2016. The joint venture listed below has share capital consisting solely of ordinary shares, which is indirectly held by the Group.

13. Investments accounted for using the equity method (Continued)

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Erdos Huiyuan Elion Food & Beverage Co., Ltd.	The PRC	50.00	Note 1	Equity method
Xizang Huiquan Industrial Co., Ltd.	The PRC	51.00	Note 2	Equity method

Note 1 The Group holds 50% of the voting rights in Erdos Huiyuan Elion Food & Beverage Co., Ltd. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

Note 2 The Group holds 51% of the voting rights in Xizang Huiquan Industrial Co., Ltd. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's above joint arrangements are structured as limited companies and provides the Group and the respective parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

14. Long-term receivable

	2016 RMB'000	2015 RMB'000
Investment in an unlisted fund (a)	**50,000**	—
Receivables from disposal of property, plant and equipment (b)	**27,909**	1,038
At 31 December	**77,909**	1,038

(a) The Group invested in an unlisted investment fund, which is managed by a fund manager in the PRC. The principal of the investment is guaranteed and the investment has a fixed rate of return of 5.9% per annum. This financial asset has been classified as a loan and receivable on the consolidated balance sheet. The investment is denominated in the RMB and the maturity period is 3 year. As at 31 December 2016, the carrying amount of the investment was determined based on cash flows discounted using the fixed rate of return of 5.9% per annum.

(b) As at 31 December 2016, the carrying amount of these receivables were determined based on cash flows discounted at 4.75% (the interest rate for 3-year borrowings published by the People's Bank of China).

15. Trade and other receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	**3,031,227**	1,685,798
Related parties (a) (Note 38(c))	**72,079**	65,444
Third parties (a)	**3,183,891**	1,741,856
Less: Provision for impairment of trade receivables (a)	**(224,743)**	(121,502)
Bills receivable — third parties (b)	**17,970**	21,027
Prepayments of raw materials and others	**277,337**	324,067
Related parties (Note 38(c))	**96,854**	88,786
Third parties	**180,483**	235,281
Deductible value added tax — input balance	**71,547**	45,873
Other receivables	**622,220**	50,370
Related parties (Note 38(c))	**27,178**	3,652
Third parties (c)	**602,822**	50,936
Less: Provision for impairment of other receivables (c)	**(7,780)**	(4,218)
	4,020,301	2,127,135

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

(a) Certain customers of the Group, mainly including selected distributors, and supermarkets, 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 31 December 2016 and 31 December 2015, the aging analysis of trade receivables based on recognition date was as follows:

— Third parties

	2016 RMB'000	2015 RMB'000
Within 3 months	**1,492,202**	1,226,832
Between 4 and 6 months	**174,853**	119,749
Between 7 and 12 months	**1,127,218**	255,815
Between 1 and 2 years	**326,906**	71,987
Over 2 years	**62,712**	67,473
	3,183,891	1,741,856

15. Trade and other receivables (Continued)

(a) (Continued)

— Related parties

	2016 RMB'000	2015 RMB'000
Within 3 months	**58,023**	38,183
Between 4 and 6 months	**14,056**	21,330
Between 7 and 12 months	**—**	5,931
	72,079	65,444

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

	2016 RMB'000	2015 RMB'000
At 1 January	**121,502**	107,616
Provision for impairment of trade receivables	**103,241**	13,886
At 31 December	**224,743**	121,502

As at 31 December 2016, trade receivables of RMB189,295,000 (2015: RMB115,012,000) were past due and fully provided for provision. Trade receivables of RMB200,323,000 (2015: RMB24,448,000) were past due but not impaired, which had been collected subsequent to the balance sheet date. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
7 to 12 months	**35,448**	6,490
Over 1 year	**189,295**	115,012
	224,743	121,502

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

	2016 RMB'000	2015 RMB'000
RMB	**3,014,691**	1,672,404
USD	**16,536**	13,394
	3,031,227	1,685,798

15. Trade and other receivables (Continued)

(a) (Continued)

The creation and release of provisions for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Bills receivable

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

No bill receivable was pledged as security for bank borrowings as at 31 December 2016 (2015: nil).

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

	2016 RMB'000	2015 RMB'000
Consideration receivable from disposal of subsidiaries (Note 37(a))	**205,000**	—
Consideration receivable from disposal of sale offices (Note 37(b))	**190,250**	—
Loan receivables (i)	**77,748**	4,500
Receivable from sales of containers	**25,927**	16,805
Deposit receivable	**11,168**	15,833
Advance to employees	**1,975**	2,640
Others	**90,754**	11,158
	602,822	50,936

(i) The balance represented loan receivables due from third parties and RMB28,200,000 had been collected subsequent to 31 December 2016.

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

	2016 RMB'000	2015 RMB'000
At 1 January	**4,218**	9,279
Provision/(reversal of provision) for impairment of other receivables	**3,562**	(5,061)
At 31 December	**7,780**	4,218

16. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**750,865**	679,858
Finished goods	**141,995**	250,496
Spare parts and consumable materials	**324,098**	362,986
	1,216,958	1,293,340

The cost of inventories recognised as expenses amounted to RMB2,505,250,000 (2015: RMB2,513,498,000), which included inventory write-down of RMB3,389,000 (2015: RMB4,851,000).

17. Available-for-sale financial assets

	2016 RMB'000	2015 RMB'000
Investment in unlisted funds (a)	**380,405**	330,487
Treasury products issued by commercial banks (b)	**—**	225,017
	380,405	555,504

(a) The Group invested in certain unlisted investment funds, which is managed by fund managers in the PRC. The principals of these investments are not guaranteed and the investments have an expected rate of return of 8% per annum. The investments are denominated in the USD and the maturity is 1 year.

(b) As at 31 December 2015, the Group invested in unlisted treasury products issued by commercial banks in the PRC and the principals of these investments are not guaranteed. All of these investments were redeemed by the Group during the year ended 31 December 2016.

Available-for-sale financial assets are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
USD	**380,405**	330,487
RMB	**—**	225,017
	380,405	555,504

17. Available-for-sale financial assets (Continued)

The fair values of available-for-sale financial assets are based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying value of these available-for-sale financial assets.

None of these financial assets is either past due or impaired.

18. Cash and cash equivalents, restricted cash and short-term bank deposit

	2016 RMB'000	2015 RMB'000
Cash at banks and cash in hand		
Denominated in		
— RMB	**3,350,001**	2,069,344
— USD	**96,588**	73,490
— EUR	**1,538**	82,162
— Hong Kong dollar ("HKD")	**1,597**	30,938
— Others	**752**	20
	3,450,476	2,255,954
Less:		
Restricted cash		
— deposit for note payables	**(128,400)**	(40,000)
— pledged for letter of credits	**(10,350)**	(10,350)
— pledged for bank borrowings	**(200,000)**	—
	(338,750)	(50,350)
Short-term bank deposits	**(1,215,375)**	(574,057)
Cash and cash equivalents	**1,896,351**	1,631,547

Restricted cash comprised deposits for letter of credit in relation to the purchasing of equipment, deposits for note payables and deposits for bank borrowings. All the restricted cash are dominated in Renminbi.

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

19. Share capital, share premium and convertible preference shares

	Number of shares of USD0.00001 each	Share capital RMB'000	Share premium RMB'000	Convertible preference shares(b) RMB'000	Total RMB'000
At 1 January 2016	**2,546,392,517**	**181**	**8,341,716**	**541,474**	**8,883,371**
Shares converted from convertible preference shares (a)	**125,326,877**	**8**	**541,466**	**(541,474)**	**–**
At 31 December 2016	**2,671,719,394**	**189**	**8,883,182**	**–**	**8,883,371**
At 1 January 2015	2,532,274,812	180	8,303,542	541,474	8,845,196
Issuance of ordinary shares (b)	14,117,705	1	38,174	–	38,175
At 31 December 2015	2,546,392,517	181	8,341,716	541,474	8,883,371

(a) 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 31 December 2016, there was no CPS outstanding.

(b) On 19 November 2015, the Company and Suntory Holdings Limited ("Suntory Holdings", the parent of Suntory China) entered into a subscription agreement (the "Subscription Agreement"). Pursuant to the Subscription Agreement, Suntory Holdings agrees to subscribe for, and the Company agrees to issue to Suntory Holdings an aggregate of 14,117,705 new ordinary shares of the Company at a subscription price of HK$3.28 per share.

The above subscription was completed on 26 November 2015 and the Company received a total proceeds of HK$46,306,000 (equivalent to approximately RMB38,175,000).

20. Share-based compensation

(a) Share Option Scheme

The share option scheme was approved on 30 January 2007.

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

35,450,000 share options granted under the Share Option Scheme on 25 February 2008 have a vesting period of four years. Commencing from the first, second, third and fourth anniversary of the date of grant, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option. As at 31 December 2016, 24,845,000 share options granted on 25 February 2008 had lapsed and the number of outstanding share options was 10,605,000.

27,180,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of four years. Commencing from the first, second, third and fourth anniversary of the date of grant, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option. As at 31 December 2016, 14,000,000 share options granted on 20 March 2014 had lapsed and the number of outstanding share options was 13,180,000.

750,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of three years. Commencing from the first, second and third anniversary of the date of grant, the relevant grantees may exercise up to 33%, 67% and 100%, respectively, of the shares comprised in his or her option. As at 31 December 2016, 150,000 share options granted on 20 March 2014 had lapsed and the number of outstanding share options was 600,000.

Except above, there is no other share option granted under the share option scheme.

20. Share-based compensation (Continued)

(a) Share Option Scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016 Weighted average exercise price in HK$ per share option	2016 Number of share options	2015 Weighted average exercise price in HK$ per share option	2015 Number of share options
At 1 January	**6.24**	**27,828,500**	6.23	31,432,792
Lapsed	**6.23**	**(3,443,500)**	6.18	(3,604,292)
At 31 December	**6.24**	**24,385,000**	6.24	27,828,500

Out of the 24,385,000 (2015: 27,828,500) outstanding share options, 11,005,000 (2015: 12,198,500) shares were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share option	Number of share options 2016 RMB'000	Number of share options 2015 RMB'000
25 February 2018	6.39	**10,605,000**	11,998,500
20 March 2024	6.12	**13,780,000**	15,830,000
		24,385,000	27,828,500

During the year ended 31 December 2016, share based compensation expenses of RMB239,000 (2015: RMB375,000) were recognised in the consolidated statement of comprehensive income.

20. Share-based compensation (Continued)

(b) Share Award Scheme

The Chief Executive Officer and Directors Share Award Scheme and the Employees Share Award Scheme (collectively, the "Share Award Schemes") was approved by the Board of Directors on 18 March 2014 and took effect on 19 March 2014. The purposes of the Share Award Schemes are to (a) recognise the contributions by certain grantees and incentivizing them for the continuing operation and development of the Group and (b) attract suitable personnel for further development of the Group.

The Group has established a trust (the "Share Award Trust") with Law Debenture Trust (Asia) Limited to administer and hold the Company's shares before they are vested and transferred to selected grantees. As the financial and operational policies of the Share Award Trust are governed by the Group, and the Group benefits from the Share Award Trust's activities, the Share Award Trust is consolidated in the Group's consolidated financial statements as a structured entity.

Upon granting of shares to selected grantees, the awarded shares are either purchased from the open market by the Share Award Trust (with funds provided by the Company by way of contribution or loan) or acquired by subscription at the market price. According to the vesting conditions approved by the Board of Directors, the vested shares are transferred to selected grantees at nil consideration. Dividends declared for unvested awarded shares shall become part of the trust fund for future grantees.

The maximum number of ordinary shares that may be awarded by the Board of Directors pursuant to the Share Award Scheme must not, on an aggregate basis, exceed 0.50% of the issued ordinary shares in the capital of the Company as at 19 March 2014 (being 10,042,293 shares).

When the shares awarded are granted to selected grantees, the fair value of the shares awarded based on the market value of the Company's shares on the date of grant is charged as employee benefit expenses over the respective vesting periods.

During the year ended 31 December 2016, the Group did not grant any share under the Share Award Scheme.

21. Trade and other payables

	2016 RMB'000	2015 RMB'000
Trade payables (a)(b)	**1,650,375**	1,305,159
Related parties (Note 38(c))	**87,759**	47,936
Third parties	**1,562,616**	1,257,223
Other payables	**965,478**	715,026
Related parties (Note 38(c))	**2,340**	1,768
Third parties (c)	**963,138**	713,258
	2,615,853	2,020,185

	2016 RMB'000	2015 RMB'000
Trade and other payables		
Non-current	**23,423**	55,135
Current	**2,592,430**	1,965,050
	2,615,853	2,020,185

21. Trade and other payables (Continued)

(a) Details of aging analysis of trade payables based on recognition date are as follows:

— Third parties

	2016 RMB'000	2015 RMB'000
Within 3 months	**1,459,427**	1,036,835
Between 4 and 6 months	**48,761**	133,433
Between 7 and 12 months	**39,182**	71,253
Between 1 and 2 years	**11,570**	14,403
Between 2 and 3 years	**2,582**	430
Over 3 years	**1,094**	869
	1,562,616	1,257,223

— Related parties

	2016 RMB'000	2015 RMB'000
Within 3 months	**69,864**	34,637
Between 4 and 6 months	**10,780**	5,889
Between 7 and 12 months	**1,779**	5,646
Between 1 and 2 years	**3,572**	1,764
Between 2 and 3 years	**1,764**	—
	87,759	47,936

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

	2016 RMB'000	2015 RMB'000
RMB	**1,597,768**	1,252,975
USD	**51,076**	52,184
EUR	**1,531**	—
	1,650,375	1,305,159

21. Trade and other payables (Continued)

(c) Details of other payables – third parties are as follows:

	2016 RMB'000	2015 RMB'000
Advertising expenses payable	**162,269**	48,090
Other taxes	**144,998**	15,009
Payable for property, plant and equipment	**132,108**	155,539
Deposits payable	**126,156**	110,404
Accrued expenses	**81,630**	87,606
Marketing expenses payable	**75,812**	74,816
Advance from customers	**64,961**	61,626
Salary and welfare payable	**54,154**	82,664
Payable for land use rights	**12,175**	12,175
Interest payables	**7,765**	7,855
Others	**101,110**	57,474
	963,138	713,258

22. Borrowings

	2016 RMB'000	2015 RMB'000
Non-current		
Bank borrowings (a)	**942,183**	882,930
Corporate bonds (b)	**1,464,629**	1,417,377
Finance lease liabilities (c)	**184,073**	202,687
	2,590,885	2,502,994
Current		
Bank borrowings (a)	**1,606,134**	1,854,341
Corporate bonds (b)	**2,034,958**	—
Finance lease liabilities (c)	**62,493**	53,713
	3,703,585	1,908,054
Total borrowings	**6,294,470**	4,411,048

	2016 RMB'000	2015 RMB'000
Unsecured	**6,127,982**	4,411,048
Secured	**166,488**	—
Total borrowings	**6,294,470**	4,411,048

22. Borrowings (Continued)

As at 31 December 2016, restricted cash of RMB200,000,000 was pledged as securities for bank borrowings. None of the property, plant, equipment and land use right of the Group were pledged as securities for bank borrowings.

(a) Bank borrowings

As at 31 December 2016, the Group's bank borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Less than 1 year	**1,606,134**	1,854,341
Between 1 and 2 years	**942,183**	869
Between 2 and 5 years	**–**	882,061
Total bank borrowings	**2,548,317**	2,737,271

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

	2016	2015
Bank borrowings	**3.93%**	5.53%

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

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

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

	2016 RMB'000	2015 RMB'000
USD	**2,040,317**	2,478,401
RMB	**508,000**	258,870
	2,548,317	2,737,271

22. Borrowings (Continued)

(b) Corporate bonds

	2016 RMB'000	2015 RMB'000
The 2018 Bonds (i)	**1,464,629**	1,417,377
The 2019 Bonds (ii)	**2,034,958**	—
	3,499,587	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 consolidated balance sheet were calculated as follows:

	RMB'000
As at 1 January 2016	1,417,377
Interest expenses	27,769
Interest paid	(22,132)
Effect of change in exchange rate	41,615
As at 31 December 2016	1,464,629

The face value of the 2018 Bonds as at 31 December 2016 is EUR200,000,000 (equivalent to approximately RMB1,461,360,000). The carrying value of the 2018 Bonds is calculated using cash flows discounted at an effective interest rate of 1.91% per annum.

22. Borrowings (Continued)

(b) Corporate bonds (Continued)

(ii) The 2019 Bonds

During the year ended 31 December 2016, the Company issued corporate bonds (the "2019 Bonds") in an aggregate principal amount of RMB2,000,000,000 and raised a net proceeds of RMB1,980,920,000. The 2019 Bonds were issued in three tranches as follows:

	Date of issuance	Due date	Principal amount RMB'000	Interest rate (per annum)
Tranche 1	5 May 2016	5 May 2019	600,000,000	7.60%
Tranche 2	31 August 2016	31 August 2019	680,000,000	7.50%
Tranche 3	24 November 2016	24 November 2019	720,000,000	6.80%

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

	RMB'000
Face value of the 2019 Bonds issued	2,000,000
Issuing expenses	(19,080)
Net proceeds for the issuance of the 2019 Bonds	1,980,920
Interest expenses	54,038
As at 31 December 2016	2,034,958

The face value of the 2019 Bonds as at 31 December 2016 is RMB2,000,000,000. The carrying value of the 2019 Bonds is calculated using cash flows discounted at effective interest rates from 7.16% to 7.97% per annum.

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

As at 31 December 2016, all 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 of each tranche of the 2019 Bonds.

22. Borrowings (Continued)

(c) Finance lease liabilities

	2016 RMB'000	2015 RMB'000
Gross finance lease liabilities — minimum lease payments:		
Less than 1 year	**73,929**	65,041
Between 1 and 2 years	**70,879**	62,921
Between 2 and 5 years	**129,210**	174,034
	274,018	301,996
Less: Future finance charges on finance leases	**(27,452)**	(45,596)
Present value of finance lease liabilities	**246,566**	256,400

The present value of finance lease liabilities is as follows:

	2016 RMB'000	2015 RMB'000
Less than 1 year	**62,493**	53,713
Between 1 and 2 years	**62,493**	53,713
Between 2 and 5 years	**121,580**	148,974
	246,566	256,400

The Group's finance lease liabilities at the balance sheet dates were denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
USD	**161,558**	145,935
RMB	**85,008**	110,465
	246,566	256,400

23. Deferred government grant

	2016 RMB'000	2015 RMB'000
Opening net amount at beginning of year	**32,493**	62,202
Credited to statement of comprehensive income (Note 25)	**(5,569)**	(29,709)
Closing net amount at end of year	**26,924**	32,493
At end of year		
Cost	**38,154**	91,717
Accumulated amortisation	**(11,230)**	(59,224)
Net book amount	**26,924**	32,493

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

	2016 RMB'000	2015 RMB'000
For acquisition of property, plant and equipment	**18,193**	57,342
For acquisition of land use right	**18,932**	33,032
For operating expenses over certain periods of time	**1,029**	1,343
	38,154	91,717

24. Convertible bonds

	2016 RMB'000	2015 RMB'000
Current		
The 2016 Convertible Bonds (a)	**–**	219,536
The 2019 Convertible Bonds (b)	**929,845**	–
	929,845	219,536
Non-current		
The 2019 Convertible Bonds (b)	**–**	906,996
	929,845	1,126,532

(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.

24. Convertible Bonds (Continued)

(a) The 2016 Convertible Bonds (Continued)

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 31 December 2016, there was no 2016 Convertible Bonds outstanding.

(b) The 2019 Convertible Bonds

On 31 March 2014, the Company issued an aggregate of US$150,000,000 convertible bonds due 30 April 2019 (the "2019 Convertible Bonds").

The major terms and conditions of the 2019 Convertible Bonds are as follows:

(i) Interest rate:

The Company shall pay an interest on the 2019 Convertible Bonds at 4.0% per annum. Interest rate will be subject to adjustment upon conversion of the 2019 Convertible Bonds but retrospectively for the whole life of the convertible bonds (and not in respect of the preceding interest period only) by reference to the conversion price in effect on the relevant conversion date, such that the adjusted interest rate shall be either 0% per annum or 9% per annum.

(ii) Conversion price:

The conversion price is initially HK$7.00 per share, subject to adjustments for certain specified dilutive and other events, including the adjustment by reference to the Adjusted EPS (as defined below) of the Company on the relevant conversion (provided always that the conversion price in effect on the relevant conversion date shall not be less than HK$5.30 nor exceed HK$7.00).

The Adjusted EPS means the Company's adjusted net income for the financial year, which is mutually agreed by the Company and the holders and shall be equal to the total comprehensive income for the year attributable to equity holders of the Company based on the announced annual financial statements of the Company for the relevant year excluding certain extraordinary, exceptional and non-recurring items but including certain permitted items, divided by the total number of shares outstanding at the end of such financial year (on a fully-diluted basis).

24. Convertible Bonds (Continued)

(b) The 2019 Convertible Bonds (Continued)

(iii) Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding bonds at 105% of the principal amount together with any accrued but unpaid interest on such principal amount on 30 April 2019.

(iv) Redemption at the Option of the holders

A Bondholder shall have the right at its sole option (but is not obliged) to require the Company to redeem the Bonds (in full or in part) at an amount equal to 103% of the principal amount together with any accrued but unpaid interest on such principal amount on the 3rd anniversary of the date of issuance.

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

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

As at 31 December 2016, the fair value of the embedded derivatives of the 2019 Convertible Bonds was determined by an independent qualified valuer.

24. Convertible Bonds (Continued)

(b) The 2019 Convertible Bonds (Continued)

(iv) Redemption at the Option of the holders (Continued)

As at 31 December 2016, the fair value of the embedded derivatives of the 2019 Convertible Bonds was determined using the binomial valuation model, and the key inputs into the model at the balance sheet dates were as follows:

The 2019 Convertible Bonds	2016	2015
Conversion price (initial)	**HK$7.000**	HK$7.000
Share price	**HK$2.590**	HK$3.550
Expected volatility (1)	**47.66%**	45.86%
Remaining life	**2.33 years**	3.33 years
Risk-free rate (2)	**1.19%**	0.93%

(1) Represented the standard deviation of historical volatility of the share prices of the Company.

(2) Represented the yield of Fund Bills & Notes of The Stock Exchange of Hong Kong with a same maturity life as the 2019 Convertible Bonds.

The gain on change in fair value of the embedded derivatives of the 2019 Convertible Bonds for the year ended 31 December 2016 of RMB80,233,000 (2015: a loss of RMB77,075,000) and the amortisation of deferred loss on conversion component of RMB17,603,000 (2015: RMB16,507,000) were recognised as "unrealised gain/(loss) on change of fair value of embedded derivatives of convertible bonds" in the consolidated statement of comprehensive income. The related interest expense of the liability component of the 2019 Convertible Bonds for the year ended 31 December 2016 amounted to RMB109,219,000 (2015: RMB94,469,000), which was calculated using the effective interest method with an effective interest rate of 13.95% (2015: 13.95%).

24. Convertible Bonds (Continued)

(c) The movements in the components of the 2016 Convertible Bonds and the 2019 Convertible Bonds during the years ended 31 December 2016 and 2015 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds		
	Liability component RMB'000	Embedded derivatives RMB'000	Total RMB'000	Liability component RMB'000	Embedded derivatives RMB'000	Total RMB'000
As at 1 January 2016	**219,536**	**–**	**219,536**	**803,271**	**103,725**	**906,996**
Change in fair value of embedded derivatives	**–**	**–**	**–**	**–**	**(80,233)**	**(80,233)**
Amortisation of deferred loss on embedded derivatives	**–**	**–**	**–**	**–**	**17,603**	**17,603**
Redemption of convertible bonds	**(224,225)**	**–**	**(224,225)**	**–**	**–**	**–**
Interest expense	**8,929**	**–**	**8,929**	**109,219**	**–**	**109,219**
Interest paid	**(4,240)**	**–**	**(4,240)**	**(78,478)**	**–**	**(78,478)**
Unrealised exchange loss	**–**	**–**	**–**	**54,738**	**–**	**54,738**
As at 31 December 2016	**–**	**–**	**–**	**888,750**	**41,095**	**929,845**
As at 1 January 2015	184,710	1,242	185,952	664,287	10,143	674,430
Change in fair value of embedded derivatives	–	(1,242)	(1,242)	–	77,075	77,075
Amortisation of deferred loss on embedded derivatives	–	–	–	–	16,507	16,507
Interest expense	30,753	–	30,753	94,469	–	94,469
Interest paid	(8,161)	–	(8,161)	–	–	–
Unrealised exchange loss	12,234	–	12,234	44,515	–	44,515
As at 31 December 2015	219,536	–	219,536	803,271	103,725	906,996

(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 31 December 2016 amounted to RMB1,161,941,000, which is calculated using cash flows discounted at a rate of 6.49%.

25. Other income — net

	2016 RMB'000	2015 RMB'000
Government subsidy income	**119,877**	115,205
Net income from sales of materials and scrap	**4,178**	53,285
Amortisation of deferred government grants (Notes 23)	**5,569**	29,709
Investment income on available-for-sale financial assets	**4,532**	4,785
Loss on disposals of property, plant and equipment	**(46)**	(1,244)
Others	**10,846**	13,782
	144,956	215,522

26. Other gains — net

	2016 RMB'000	2015 RMB'000
Gain on disposal of subsidiaries and sales offices (Note 37)	**38,493**	302,699

27. Expenses by nature

	2016 RMB'000	2015 RMB'000
Raw materials used and changes in inventories (Note 16)	**2,501,861**	2,508,647
Advertising and other marketing expenses	**812,315**	704,759
Employee benefit expense (Note 28)	**690,666**	1,080,217
Depreciation of property, plant and equipment (Note 8)	**456,815**	489,724
Transportation and related charges	**257,679**	257,977
Water and electricity	**171,338**	226,250
Impairment loss for trade and other receivables (Note 15)	**106,803**	8,825
City construction tax, property tax and other tax surcharges	**99,633**	96,580
Rental expenses	**43,306**	51,159
Repairs and maintenance	**38,269**	62,182
Travelling expense	**28,956**	59,445
Amortisation of intangible assets (Note 9)	**27,231**	24,935
Amortisation of land use rights (Note 7)	**21,668**	23,711
Office and communication expenses	**19,012**	40,957
Auditors' remuneration		
— Audit services	**4,780**	4,780
— Non-audit services	**3,210**	3,975
Impairment loss of inventories	**3,389**	4,851
Other expenses	**59,126**	51,392
Total cost of sales, selling and marketing and administrative expenses	**5,346,057**	5,700,366

28. Employee benefit expense

	2016 RMB'000	2015 RMB'000
Wages and salaries	**609,275**	959,403
Contributions to pension plan and other benefits	**81,152**	120,439
Share-based compensation	**239**	375
	690,666	1,080,217

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

28. Employee benefit expense (Continued)

(b) Five highest paid individuals

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

	Number of individuals	
	2016	2015
Directors	3	2
Other senior management	2	3

The five highest paid individuals include three (2015: two) directors whose emoluments were reflected in the analysis presented in Note 41. Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries, wages and bonuses	2,240	3,301
Contributions to pension plan	50	79
Welfare and other expenses	65	97
	2,355	3,477

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

	Number of individuals	
	2016	2015
HK$1,000,001 — HK$1,500,000	2	2
HK$1,500,001 — HK$2,000,000	—	1

29. Finance expenses

	2016 RMB'000	2015 RMB'000
Interest expenses:		
— Bank borrowings	**179,784**	229,830
— Convertible bonds (Note 24)	**118,148**	125,222
— Finance lease liabilities	**17,394**	8,224
— Corporate bonds (Note 22(b))	**81,807**	12,802
Exchange loss (excluding convertible bonds)	**184,787**	183,229
Exchange loss on liability component of convertible bonds (Note 24)	**54,738**	56,749
Less: Interest expenses and exchange loss capitalised	**(50,711)**	(65,816)
	585,947	550,240
Weighted average effective interest rates used to calculate capitalisation amount on qualifying assets	**5.71%**	6.65%

30. Finance income

	2016 RMB'000	2015 RMB'000
Interest income from bank deposits	**50,864**	19,625

31. Income tax expense

	2016 RMB'000	2015 RMB'000
Deferred income tax charge (Note 11)	**9,632**	7,477
Current income tax — PRC enterprise income tax	**82,205**	105,378
	91,837	112,855

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

	2016 RMB'000	2015 RMB'000
Profit/(loss) before income tax	**103,742**	(115,967)
Tax calculated at the statutory tax rates of 25% (2015: 25%)	**25,936**	(28,992)
Tax effect:		
Fair value change in conversion right of convertible bonds not subject to tax	**(15,658)**	23,085
Impact of different tax rate	**57,246**	51,221
Expense not deductible for tax purpose	**7,421**	4,602
Tax losses for which no deferred income tax asset was recognized	**27,878**	68,645
Tax losses used in current year which no deferred income tax asset was recognised in prior year	**(10,986)**	(5,706)
Income tax expense	**91,837**	112,855

(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) As the Company is exempted from Cayman Islands income tax under the Companies Law of Cayman Islands, the fair value gain or loss of conversion rights of convertible bonds is not taxable or deductible for income tax purposes.

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

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

31. Income tax expense (Continued)

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

(e) According to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the years ended 31 December 2015 and 2016 since the Group plans to reinvest such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

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

Except for the above, provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (2015: 25%) on the assessable income of each of the group companies in the PRC.

32. Earnings/(loss) per share

(a) Basic

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

	2016 **RMB'000**	**2015** **RMB'000**
Profit/(loss) attributable to equity holders of the Company		
Basic profit/(loss) attributable to ordinary shares	**13,129**	(218,031)
Basic profit/(loss) attributable to convertible preference shares	**151**	(10,785)
	13,280	(228,816)

32. Earnings/(loss) per share (Continued)

(a) Basic (Continued)

	Ordinary shares 2016	Ordinary shares 2015	Convertible preference shares 2016	Convertible preference shares 2015
Weighted average number of shares outstanding for basic earnings/(loss) per share (thousands) (i)	**2,641,243**	2,533,664	**30,476**	125,327

(i) The changes in weighted average number of ordinary shares and convertible preference shares were due to the conversion of convertible preference shares in 2016 (Note 19(a)).

	2016	2015
Basic earnings/(loss) per ordinary share (RMB cents)	**0.5**	(8.6)
Basic earnings/(loss) per convertible preference share (RMB cents)	**0.5**	(8.6)

(b) Diluted

Diluted earnings or 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.

For the purpose of calculating diluted earnings/(loss) per share for the years ended 31 December 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 loss of and fair value changes of embedded derivatives of the 2016 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted earnings/(loss) per share for the years ended 31 December 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 of and fair value changes of embedded derivatives of the 2019 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted earnings/(loss) per share for the years ended 31 December 2016 and 2015;

32. Earnings/(loss) per share (Continued)

(b) Diluted (Continued)

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 years ended 31 December 2016 and 2015.

33. Dividends

The board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2016.

34. Notes to consolidated cash flow statement

	2016 RMB'000	2015 RMB'000
Profit/(loss) before income tax	**103,742**	(115,967)
Adjustments for:		
– Share-based compensation (Note 28)	**239**	375
– Unrealised (gain)/loss on change of fair value of embedded derivatives of convertible bonds (Note 24)	**(62,630)**	92,340
– Amortisation of deferred government grants (Note 23)	**(5,569)**	(29,709)
– Depreciation of property, plant and equipment (Note 8)	**456,815**	489,724
– Amortisation of intangible assets (Note 9)	**27,231**	24,935
– Amortisation of land use rights (Note 7)	**21,668**	23,711
– Impairment loss of inventories (Note 16)	**3,389**	4,851
– Impairment loss for trade and other receivables (Note 15)	**106,803**	8,825
– Loss on disposal of property, plant and equipment and land use rights (Note 25)	**46**	1,244
– Interest income from bank deposits (Note 30)	**(46,332)**	(19,625)
– Investment income on available-for-sale financial assets (Note 25)	**(4,532)**	(4,785)
– Interest expenses (Note 29)	**585,947**	550,240
– Gain on disposal of subsidiaries and sales offices (Note 37)	**(38,493)**	(302,699)
– Share of loss/(profit) of investments accounted for using the equity method (Note 13)	**2,593**	(6,837)
	1,150,917	716,623
Changes in working capital:		
– Inventories	**(44,591)**	(74,018)
– Trade and other receivables	**(1,835,184)**	46,620
– Trade and other payables	**736,012**	(6,104)
– Deferred revenue	**314**	(1,612)
Cash generated from operations	**7,468**	681,509

34. Notes to consolidated cash flow statement (Continued)

Non-cash transactions:

The principal non-cash transaction included:

(a) The purchase of property, plant and equipment amounting to RMB132,108,000 and RMB155,539,000 have not been settled as at 31 December 2016 and 2015;

(b) The Group have certain finance lease arrangements on property, plant and equipment with third parties. As at 31 December 2016 and 2015, the Group had finance lease liabilities with present value of RMB246,566,582 and RMB256,400,000, respectively.

35. Contingencies

During the year ended 31 December 2016, the Group has been defending certain litigations. No provision in relation to these claims has been recognised in the consolidated financial statements, as legal advice indicates that it is not probable that a significant liability will arise.

36. Commitments

(a) Capital commitments

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

	2016 RMB'000	2015 RMB'000
Purchase of property, plant and equipment	**205,352**	241,216

(b) Operating lease commitments

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

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

The Group is the lessee

	2016 RMB'000	2015 RMB'000
No later than 1 year	**5,945**	5,850
Later than 1 year and no later than 5 years	**17,550**	25,400
	23,495	31,250

37. Disposal of subsidiaries and sales offices

(a) Disposal of subsidiaries in 2016

On 25 October 2016, the Group entered into equity transfer agreements with certain subsidiaries of Beijing Founder Fubon Financing Asset Management Co. Ltd. ("Founder Fubon"), to dispose its entire equity interests in Benxi Huiyuan Food & Beverage Co., Ltd., Yanbian Huiyuan Food & Beverage Co., Ltd., Chengde Huiyuan Food & Beverage Co., Ltd., Beijing Huiyuan Group Youyu Co., Ltd., and Beijing Huiyuan Group Longhua Co., Ltd. (collectively, the "2016 Disposed Entities", all of which are wholly-owned subsidiaries of the Company), for a total cash consideration of RMB360,000,000. As at 31 December 2016, the above disposal had been completed.

	2016 RMB'000
Consideration satisfied by:	
Cash	**155,000**
Consideration receivable — other receivable	**205,000**
	360,000
Gain on disposal of the 2016 Disposed Entities:	
Total consideration	**360,000**
Net assets of the 2016 Disposed Entities — shown as below	**(358,507)**
	1,493

The assets and liabilities of the 2016 Disposed Entities as of the date of disposal:

	Carrying value RMB'000
Property, plant and equipment	355,518
Land use rights	45,999
Cash and cash equivalents	943
Trade and other payables	(42,797)
Borrowings	(1,156)
Net assets of the 2016 Disposed Entities	358,507
Cash inflows arising from disposal of the 2016 Disposed Entities for year ended 31 December 2016	
Proceeds received in cash	155,000
Cash and cash equivalents in the 2016 Disposed Entities	(943)
Cash inflows from the disposal of subsidiaries during the year	154,057

37. Disposal of subsidiaries and sales offices (Continued)

(b) Disposal of sales offices in 2016

On 31 October 2016, the Group entered into an agreement with Tianjin Wanmeng Huida Industrial Co., Ltd. ("Tianjin Huida"), to dispose its sales offices and the related assets and liabilities (the "Disposed Business"), for a total cash consideration of RMB282,430,000. The above disposal was effective on 31 October 2016.

As at 31 December 2016, the Group had received RMB92,180,000 from Tianjin Huida and the remaining consideration of RMB190,250,000 had been subsequently collected in March 2017.

	2016 RMB'000
Consideration satisfied by:	
Cash	**92,180**
Consideration receivable — other receivable	**190,250**
	282,430
Gain on disposal of the Disposed Business:	
Total consideration	**282,430**
Net assets of the Disposed Business — shown as below	**(245,430)**
	37,000

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

	Carrying value RMB'000
Trade and other receivables	164,735
Inventories	117,695
Trade and other payables	(37,000)
Net assets of the Disposed Business	245,430
Cash inflows arising from disposal of the Disposed Business for year ended 31 December 2016	
Proceeds received in cash	92,180
Cash inflows from the disposal of sales offices during the year	92,180

37. Disposal of subsidiaries and sales offices (Continued)

(c) Disposal of subsidiaries in 2015

On 18 June 2015, the Group entered into an equity transfer agreement with Founder Fubon, to dispose its entire equity interests in Jilin Huiyuan Food & Beverage Co., Ltd., Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd., Jiangxi Huiyuan Food & Beverage Co., Ltd., Jinzhou Huiyuan Food & Beverage Co., Ltd., Shandong Huiyuan Food & Beverage Co., Ltd., Shandong Shengshuiyu Mineral Water Co., Ltd., Shandong Xinming Huiyuan Food & Beverage Co., Ltd., Shanxi Huiyuan Food & Beverage Co., Ltd. and Zhaodong Huiyuan Food & Beverage Co., Ltd. (collectively, the "2015 Disposed Entities", all of which are wholly-owned subsidiaries of the Company), for a total cash consideration of RMB1,812,000,000. The above disposal was completed on 30 June 2015.

	2015 **RMB'000**
Consideration satisfied by:	
Cash	**1,812,000**
Gain on disposal of the 2015 Disposed Entities:	
Total consideration	**1,812,000**
Net assets of the 2015 Disposed Entities — shown as below	**(1,509,301)**
	302,699

The assets and liabilities of the 2015 Disposed Entities as of the date of disposal:

	Carrying value **RMB'000**
Property, plant and equipment	897,124
Land use rights	167,050
Intangible assets	14,449
Trade and other receivables	644,872
Cash and cash equivalents	12,368
Trade and other payables	(183,320)
Borrowings	(43,242)
Net assets of the 2015 Disposed Entities	1,509,301
Cash inflows arising from disposal of the 2015 Disposed Entities for year ended 31 December 2015	
Proceeds received in cash	1,812,000
Cash and cash equivalents in the 2015 Disposed Entities	(12,368)
Cash paid to settle the amounts due to the 2015 Disposal Entities	(470,675)
Cash inflows on the disposal during the year	1,328,957

38. Related party transactions

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

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

(a) During the year, the Company's directors and the Group's management are of the view that associates, joint venture and the companies beneficially owned by Mr. Zhu Xinli were related parties of the Group.

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

	2016 RMB'000	2015 RMB'000
Sales of goods and services		
Sales of products, raw materials and services to associates	**136,037**	118,971
Sales of products and raw materials to a joint venture	**8,960**	15,238
Sales of recyclable containers to companies beneficiary owned by Mr. Zhu Xinli	**–**	14,035
Sales of products to companies beneficially owned by a key management of the Group	**7,088**	–
	152,085	148,244
Purchase of materials and services		
Purchase of products and raw materials from an associate	**267,496**	328,651
Purchase of transportation service from companies beneficially owned by Mr. Zhu Xinli	**136,416**	148,702
Purchase of raw materials from companies beneficially owned by Mr. Zhu Xinli	**–**	120,984
Purchase of products and raw materials from a joint venture	**9,050**	9,025
	412,962	607,362

38. 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:

	2016 RMB'000	2015 RMB'000
Salaries, wages and bonuses	9,491	9,203
Contributions to pension plan	182	182
Welfare and other expenses	310	310
Share-based compensation	239	375
	10,222	10,070

In the years of 2015 and 2016, one subsidiary of the Group, Beijing Huiyuan Food & Beverage Co., Ltd has been using and will continue to use certain offices premises owned by Beijing Huiyuan Beverage & Food Group Co. Ltd., a related company beneficially owned by Mr. Zhu Xinli, at nil cost.

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

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

	2016 RMB'000	2015 RMB'000
Trade receivables (Note 15(a))	72,079	65,444
Other receivables and prepayments (Note 15(a))	124,032	92,438
Trade payables (Note 21(a))	87,759	47,936
Other payables (Note 21(a))	2,340	1,768

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

39. Events after the balance sheet date

(a) Drawdown of new bank borrowings

In March 2017, the Company has drawn down an aggregate of EUR160,000,000 bank borrowings. The above long-term bank borrowings are unsecured, bear interest rates at EURIBOR plus 2.9% per annum and repayable after 3 years.

(b) Redemption of the 2019 Convertible Bonds

In March 2017, the Company redeemed all the principal amount of US$150,000,000 of the 2019 Convertible Bonds upon exercise of the redemption option by the bondholders, at the redemption price of US$154,500,000 (103% of US$150,000,000).

40. Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**12,901,096**	13,015,299
Loans to subsidiaries	**13,341**	135,665
Total non-current assets	**12,914,437**	13,150,964
Current assets		
Cash and cash equivalents	**79,939**	79,441
Short-term bank deposit	**80,375**	78,047
Amounts due from subsidiaries	**2,898,201**	1,640,630
Total current assets	**3,058,515**	1,798,118
Total assets	**15,972,952**	14,949,082
EQUITY		
Equity attributable to owners of the parent		
Share capital	**189**	181
Share premium	**8,883,182**	8,341,716
Convertible preference shares	**—**	541,474
Reserves	**549,004**	1,066,244
Total equity	**9,432,375**	9,949,615
LIABILITIES		
Non-current liabilities		
Borrowings	**2,406,812**	2,299,438
Convertible bonds	**—**	906,996
Total non-current liabilities	**2,406,812**	3,206,434
Current liabilities		
Other payables	**70,828**	6,378
Borrowings	**3,133,092**	1,567,119
Convertible bonds	**929,845**	219,536
Total current liabilities	**4,133,765**	1,793,033
Total liabilities	**6,540,577**	4,999,467
Total equity and liabilities	**15,972,952**	14,949,082

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf.

Director　　　　　　　　Director

40. Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement of the Company

	Reserves RMB'000
At 1 January 2016	**1,066,244**
Loss for the year	**(517,479)**
Share-based compensation	**239**
At 31 December 2016	**549,004**
At 1 January 2015	1,700,003
Loss for the year	(634,134)
Share-based compensation	375
At 31 December 2015	1,066,244

41. Benefits and interests of directors

The remuneration of every directors for the year ended 31 December 2016 is set out below:

Name	Fees RMB'000	Salary RMB'000	Estimated money value of other benefits(i) RMB'000	Contributions to pension plan RMB'000	Employer's contribution to welfare and other expenses RMB'000	Total RMB'000
Directors						
Mr. Zhu Xinli	–	1,320	–	–	83	1,403
Ms. Zhu Shengqin	–	1,745	–	–	–	1,745
Mr. Cui Xianguo	–	1,120	–	26	32	1,178
Mr. Leung Man Kit	394	–	60	–	–	454
Mr. Song Quanhou	232	–	60	–	–	292
Mr. Wang Wei (ii)	200	–	–	–	–	200
Ms. Zhao Yali	200	–	60	–	–	260
Mr. Andrew Y. Yan	–	–	60	–	–	60

41. Benefits and interests of directors (Continued)

The remuneration of every director for the year ended 31 December 2015 is set out below:

Name	Fees	Salary	Estimated money value of other benefits[(i)]	Contributions to pension plan	Employer's contribution to welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Mr. Zhu Xinli	–	1,320	–	–	83	1,403
Ms. Zhu Shengqin	–	1,231	–	–	–	1,231
Mr. Cui Xianguo	–	720	–	26	32	778
Mr. Leung Man Kit	409	–	142	–	–	551
Mr. Song Quanhou	232	–	142	–	–	374
Mr. Wang Wei[(ii)]	58	–	–	–	–	58
Mr. Zhao Chen[(iii)]	142	–	(192)	–	–	(50)
Ms. Zhao Yali	200	–	142	–	–	342
Mr. Andrew Y. Yan	–	–	142	–	–	142

(i) Other benefits represent share options. The values of share options are based on the share based compensation expenses recognised or reversed during the year.

(ii) Mr. Wang Wei was appointed as an independent non-executive director of the Company with effect from 16 September 2015.

(iii) Mr. Zhao Chen ceased to be an independent non-executive director of the Company with effect from 16 September 2015.

During the year ended 31 December 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2015: nil).

During the year ended 31 December 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: nil).

During the year ended 31 December 2016, there were no loans, quasi-loans or other dealings in favour of directors, controlled body corporates or connected entities of directors (2015: nil).

Except for those disclosed in Note 38, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016 (2015: nil).

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
"Latest Practicable Date"	12 April 2017, being the latest practicable date before printing of this annual report for ascertaining information contained herein

Glossary of Terms (Continued)

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