



## ABOUT US

China Huiyuan Juice Group Limited (the “Company”, together with its subsidiaries, the “Group” or “Huiyuan Juice” or “Huiyuan”), a leading and vertically integrated fruit and vegetable juice producer in China, is principally engaged in the production and sale of fruit juice, fruit and vegetable juice and other beverages. As at the date of this report, the Group has 48 subsidiaries with 9,447 employees. Juice products of Huiyuan Juice are categorized into 100% juice, nectars and juice drinks based on juice concentration. According to the research on Chinese retailing sector conducted by Nielsen in the first half of 2014, the Group’s 100% juice and nectars continue to rank as the market leader with market shares of 57.7% and 42.9%, respectively, each by sales volume. Most of the products of the Group are sold under the brand of “Huiyuan”. The Group believes that “Huiyuan” juice is one of the most recognized brands of fruit and vegetable juices among Chinese consumers.



# CONTENTS

<i>2</i>	Corporate Information
<i>3</i>	Financial Highlights
<i>6</i>	Management Discussion and Analysis
<i>14</i>	Directors' Report
<i>23</i>	Interim Condensed Consolidated Balance Sheet
<i>25</i>	Interim Condensed Consolidated Statement of Comprehensive Income
<i>27</i>	Interim Condensed Consolidated Statement of Changes in Equity
<i>28</i>	Interim Condensed Consolidated Statement of Cash Flows
<i>29</i>	Notes to the Unaudited Condensed Consolidated Interim Financial Information
<i>67</i>	Glossary of Terms

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Mr. ZHU Xinli (*Chairman*)  
Mr. JIANG Xu  
Mr. LEE Wen-chieh (resigned on 18 March 2014)  
Mr. CUI Xianguo (appointed on 18 March 2014)

### Non-executive Director

Mr. Andrew Y. YAN

### Independent Non-executive Directors

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

## Company Secretary

Ms. 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. ZHAO Chen

## Remuneration and Nomination Committee

Mr. SONG Quanhou (*Chairman*)  
Mr. LEUNG Man Kit  
Mr. Andrew Y. YAN

## Registered Office

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

## Head Office

Huiyuan Road, Beixiaoying Town  
Shunyi District  
Beijing, PRC

## Registered Address in Hong Kong

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

## Company Website

www.huiyuan.com.cn

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Auditor

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

## Listing Exchange Information

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

## Principal Bankers

Bank of Communications  
Bank of China

# FINANCIAL HIGHLIGHTS

## Comparison of the unaudited consolidated results for the first half of 2014 and the first half of 2013

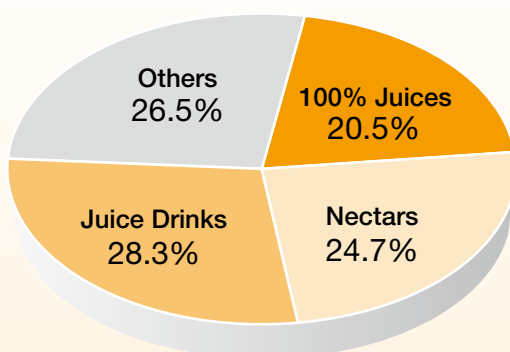
	For the 6 months ended 30 June (RMB '000)	
	2014	2013
Revenue	1,965,908	2,063,611
Cost of sales	1,388,195	1,427,431
Gross profit	577,713	636,180
Profit/(loss) attributable to equity holders	20,470	114,008
Adjusted profit attributable to equity holders (Note 1)	(159,082)	147,961
EBITDA (Note 2)	327,325	400,730
Earnings/(losses) per share (RMB cents) (Note 3)		
— basic	0.8	7.7
— diluted	(7.9)	7.7

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

Note 2: EBITDA excludes depreciation of property, plant and equipment, amortisation of intangible assets, amortisation of land use rights, financial income, financial cost, unrealised gain on change of fair value of embedded derivatives of convertible bonds, and loss on early redemption of convertible bonds.

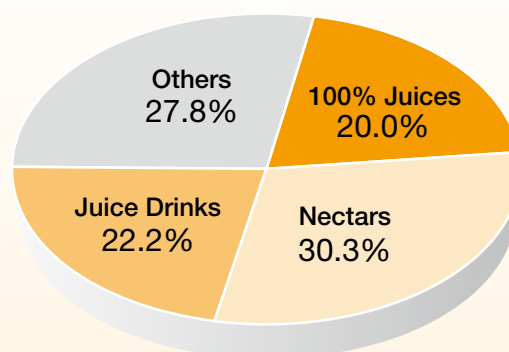
Note 3: Please refer to Note 28 to the Consolidated Interim Financial Information for the calculation of earnings/(losses) per share.

## Sales by product



2013

For the 6 months ended 30 June



2014

For the 6 months ended 30 June

## FINANCIAL HIGHLIGHTS (CONTINUED)

### Financial ratio (Based on the unaudited consolidated results for the first half of 2014 and the first half of 2013)

	For the 6 months ended 30 June		
	2014	2013	Change
Return on equity	<b>0.2%</b>	2.1%	-1.9%
Return on assets	<b>0.1%</b>	1.0%	-0.9%
Gearing ratio (total debt/total equity) (Note 1)	<b>41.7%</b>	62.2%	-20.5%

### Operating ratio (Note 2)

	For the 6 months ended 30 June		
	2014	2013	Change
Turnover of finished goods	<b>23 days</b>	17 days	+6 days
Turnover of raw materials	<b>145 days</b>	129 days	+16 days
Turnover of trade receivables	<b>110 days</b>	85 days	+25 days
Turnover of trade payables	<b>126 days</b>	242 days	-116 days

Note 1: The total debt includes total borrowings of RMB3,551.0 million as at 30 June 2014 (as at 30 June 2013: RMB2,585.2 million) and convertible bonds of RMB869.4 million as at 30 June 2014 (as at 30 June 2013: RMB794.4 million).

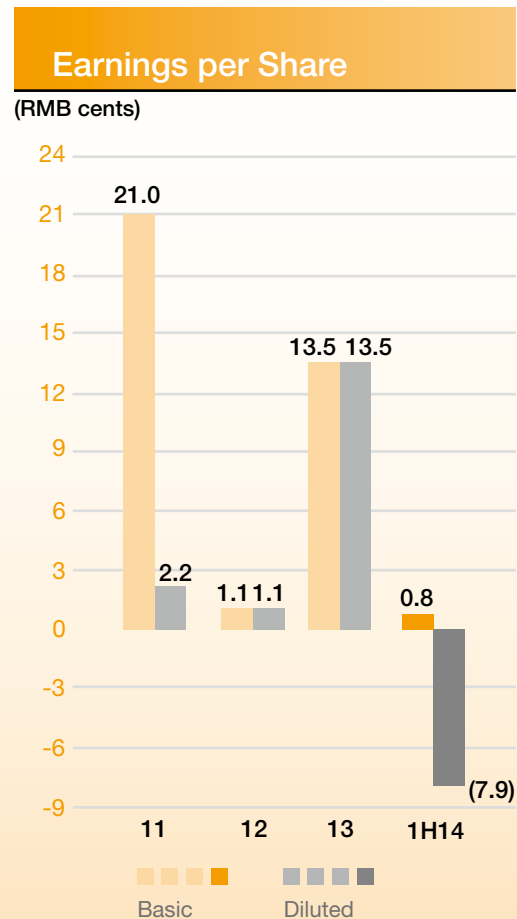
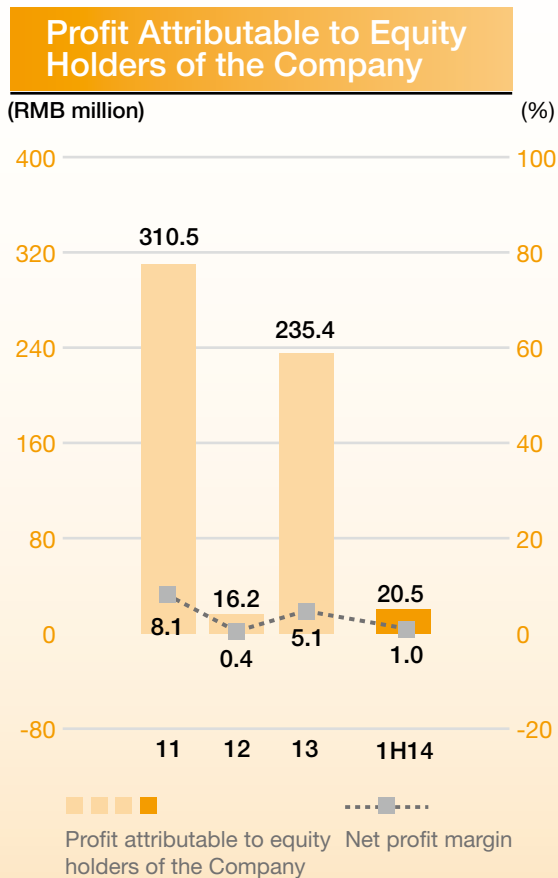
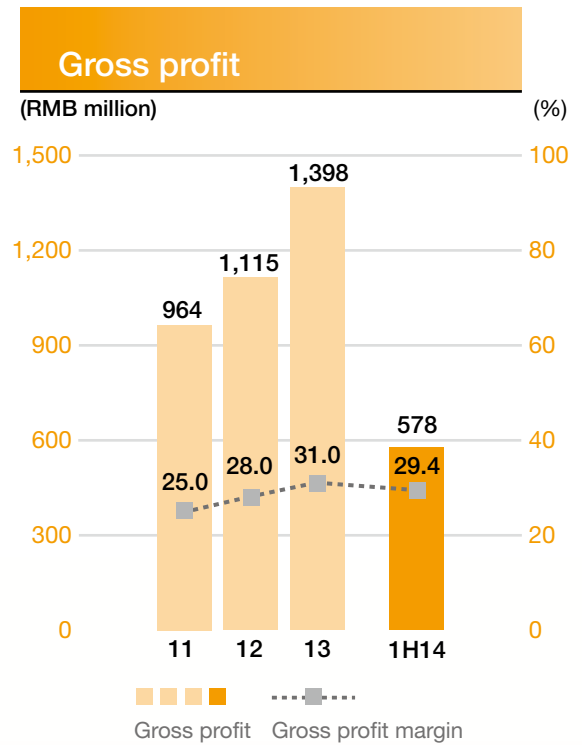
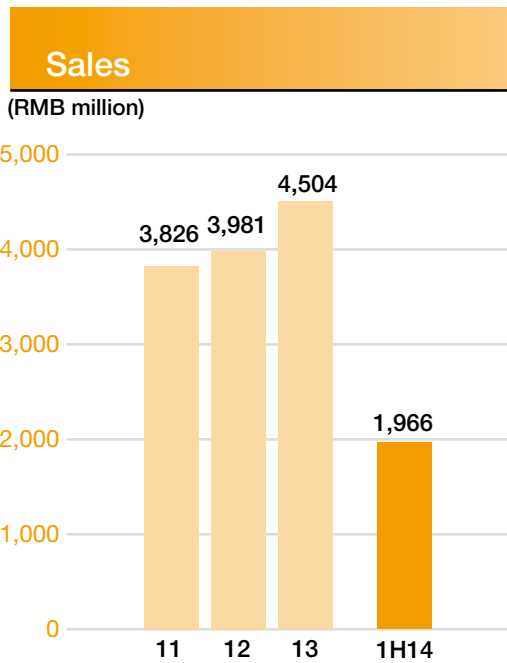
Note 2: The turnover of finished goods as at 30 June is calculated as the balance of finished goods as at 30 June divided by cost of sales for the year multiplied by 182.5 days (365 divided by 2).

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

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

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

## FINANCIAL HIGHLIGHTS (CONTINUED)



# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In 2014, the Chinese government rolled out a series of policy measures to promote domestic demand and consolidate its objectives to stabilise growth and modify structure, which have achieved significant success to date. In the first half of the year 2014, China recorded GDP growth of 7.4%. Market sales grew steadily, total retail sales of social consumer goods was RMB12,419.9 billion, with a year-on-year nominal growth of 12.1%. Based on the geographical locations of the operating units, retail sales of urban consumer goods was RMB10,725.3 billion, representing a year-on-year growth of 12.0%, whereas retail sales of rural consumer goods was RMB1,694.6 billion, representing a growth of 13.2%. By consumption patterns, income from food and beverage amounted to RMB1,298.9 billion, representing a year-on-year growth of 10.1%, whereas retail sales of commodities amounted to RMB11,121.0 billion, representing a growth of 12.4%. It is expected that the overall domestic spending will maintain constant growth in the second half of 2014.

According to Nielsen, for the first half of the year, the top seven categories of beverages, namely functional drinks, bottled water, instant tea, traditional Asian beverages, carbonated beverages, fruit juice and sour milk, accounted for an accrued sales of RMB80.7 billion, increased by 7.7% when compared to RMB74.9 billion in the same period of 2013, while traditional Asian beverages, bottled water and functional drinks recorded double-digit growth, fruit juice and instant tea experienced slower growth in general. The slower growth rate of fruit juice was mainly dragged by the negative growth in the low concentration fruit juice. The growth rate of 100% juice and nectars of 8.7% and 13.7% respectively, was much more prominent than low concentration juice. This indicates a remarkable growth in consumer's spending on healthy drinks with higher juice content and the increasing consumption is being prominent.

Huiyuan is a leading manufacturer in the fruit juice market in China, with long established history. Given its stable supply of raw materials from the upstream fruit industry and first-mover advantages leveraged on its nationwide network for product distribution, the Company maintained steady development and



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

sales in the first half of 2014. In the future, the Company will focus on 100% juice and nectars markets to develop and strengthen high quality product categories, while proactively entering into the fastest growing market and developing distinctive ready-to-drink products in market.

For the first half year of 2014	Market Share	
	By Volume (%)	By Value (%)
<b>100% Juice</b>		
Huiyuan Juice	57.7	51.3
Second ranked competitor	21.9	25.5
Third ranked competitor	6.6	6.0
Fourth ranked competitor	2.3	2.3
Fifth ranked competitor	1.3	1.3
<b>26%–99% Concentration</b> <sup>(Note 1)</sup>		
Huiyuan Juice <sup>(Note 2)</sup>	42.9	35.6
Second ranked competitor	28.4	22.6
Third ranked competitor	6.0	8.1
Fourth ranked competitor	3.5	4.9
Fifth ranked competitor	2.7	2.8
<b>25% &amp; Below Concentration</b>		
First ranked competitor	32.6	33.8
Second ranked competitor	25.0	22.8
Third ranked competitor	20.6	18.2
Fourth ranked competitor	5.8	5.7
Fifth ranked competitor	3.3	3.9
Huiyuan Juice <sup>(Note 3)</sup>	2.1	2.1

Notes:

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW

#### Overview

As a leading fruit and vegetable juice producer in China, in the first half year, we have entered into a transition period. In addition to the recruitment of talent, the Company has further consolidated its businesses, at the same time streamlined the structure to form new business segments, which aligned with the operation of Huiyuan Juice. We will implement new changes unswervingly, and lay down the strongest foundations for Huiyuan to become a century enterprise.

In the six months ended 30 June 2014, the Group recorded sales of RMB1,965.9 million, a decrease of 4.7% from RMB2,063.6 million for the six months ended 30 June 2013. The net profit attributable to the equity holders of the Company reached RMB20.5 million as compared to RMB114.0 million for the same period in 2013.

In the first half of 2014, the Group maintained its market leading position in the juice and juice beverage industry. The two products recorded the fastest growth in the market under our successful strategy for new product launch. The sports drink named Freenergy (飛能) under the functional drinks ranked the first and the vegetable protein beverage named Little Moments (小時光) under the traditional Asian beverages ranked the second.

### FINANCIAL REVIEW

#### Overview

In the six months ended 30 June 2014, the Group recorded sales of RMB1,965.9 million, a decrease of 4.7% from RMB2,063.6 million for the six months ended 30 June 2013. The net profit attributable to the equity holders of the Company reached RMB20.5 million as compared to an earning of RMB114.0 million for the same period in 2013.

#### Sales

Sales of the Group's products, comprising 100% fruit juice, nectars, juice drinks and other beverage products decreased 4.7% from RMB2,063.6 million in the first half of 2013 to RMB1,965.9 million in the first half of 2014.

Sales of 100% fruit juice, which accounted for 20.0% of the Group's total sales, decreased by 7.1% from RMB423.8 million in the first half of 2013 to RMB393.7 million in the first half of 2014 due to a decrease in sales volume of small pack products.

Sales of nectars increased by 15.7% from RMB509.5 million in the first six months of 2013 to RMB589.3 million in the first six months of 2014. Sales of nectars accounted for 30.0% of total sales for the first six months of 2014. Sales volume for the period increased 13.4% as compared to corresponding period in last year while average selling price increased 2.0%.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales of juice drinks, which accounted for 22.2% of the Group's total sales, decreased by 25.5% from RMB584.3 million in the first half of 2013 to RMB435.4 million in the first half of 2014. The decrease in revenues was due to a 20.7% decrease in sales volume and a 6.0% decrease in average selling price.

The sales of other beverage products increased slightly by 0.3% from RMB546.0 million in the first six months of 2013 to RMB547.4 million in the first six months of 2014.

### Cost of Sales

Cost of sales decreased by 2.7% from RMB1,427.4 million for the six months ended 30 June 2013 to RMB1,388.2 million for the six months ended 30 June 2014. The decrease in cost of sales is primarily a result of the decrease in sales volume of juice products during the period.

### Gross Profit

Gross profit decreased by 9.2% from RMB636.2 million for the six months ended 30 June 2013 to RMB577.7 million for the six months ended 30 June 2014. Gross profit margin decreased 1.4 percentage points from 30.8% for the six months ended 30 June 2013 to 29.4% for the same period in 2014. Gross profit margin decreased is primarily a result of the decrease in sales volume, which resulted in the increase in share of fixed cost and the increase in depreciation.

### Other Income

Other income decreased by 62.4% from RMB152.0 million for the six months ended 30 June 2013 to RMB57.2 million for the same period in 2014. Other income consists primarily of income from the sales of raw materials, government and other subsidies as well as income from the sale of scrap.

### Other Gains

Other gains consists of gains and losses arising from disposals of business or asset. The Group recorded a net gain of RMB151.0 million for the six months ended 30 June 2014 primarily due to the gain on the disposal of equity interest in Huanggang Huiyuan.

### Selling and Marketing Expenses

Selling and marketing expenses decreased by 9.2% from RMB555.6 million for the six months ended 30 June 2013 to RMB504.6 million for the same period in 2014, due to a decrease in marketing and advertising expenses.

### Administrative Expenses

Administrative expenses increased by 49.8% from RMB161.6 million for the six months ended 30 June 2013 to RMB242.0 million for the same period in 2014. Administrative expenses as a percentage of revenue have increased from 7.8% for the six months ended 30 June 2013 to 12.3% for the six months ended 30 June 2014. The growth in administrative expenses was attributed to the increase in personnel expenses due to the new recruitment of management and personnel increase from acquisition of puree business and the provision for impairment of trade receivables.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Finance Income/Cost

The Group recorded finance cost of RMB195.1 million for the six months ended 30 June 2014 as compared to RMB102.8 million for the same period in 2013, primarily due to the increase in total borrowings upon the acquisition of upstream puree business which resulted in the increase in interest and changes in foreign exchange related gains and losses.

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

On 29 April 2014, the Group redeemed the US\$150,000,000 4% convertible bonds due 2016 (the “2016 Convertible Bonds”) in an amount of US\$117.3 million, and recorded corresponding losses of RMB65.8 million. On 31 March 2014, the Group issued convertible bonds due on 30 April 2019 to Temasek Holdings (Private) Limited in an amount of US\$150 million (the “2019 Convertible Bonds”), and together with the 2016 Convertible Bond, have resulted in an unrealized gain from the change of fair value of embedded derivatives of RMB268.0 million for the first six months of 2014. If the share price and earnings of the Company change significantly in future, the fair value of the derivative component of the above convertible bonds may also fluctuate significantly.

### Income Tax Expenses

In the first half of 2014, the Company recorded an income tax expense of RMB38.6 million compared to an income tax expense of RMB2.7 million for the same period in 2013.

### Profit Attributable to Equity Holders of the Company

The Group recorded RMB20.5 million in profit attributable to equity holders for the six months ended 30 June 2014 as compared with RMB114.0 million for the same period in 2013. The adjusted profit attributable to the equity holders of the Company for the six months ended 30 June 2014 was a loss of RMB159.1 million compared to an earning of RMB148.0 million for the same period in 2013.

### Liquidity and Capital Resources

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

As at 30 June 2014, the Group had an aggregate of RMB3,551.0 million in outstanding bank loans and RMB869.4 million in outstanding convertible bonds as compared to RMB3,786.0 million in outstanding bank loans and RMB837.6 million in outstanding convertible bonds as at 31 December 2013. The gearing ratio (total debt (including the convertible bonds)/total equity) of the Group was 41.7% as at 30 June 2014, representing a decrease of 2.0 percentage points as compared to 43.7% as at 31 December 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's borrowings primarily include bank loans and convertible bonds. As at 30 June 2014, the Group had the following indebtedness:

	Repayable within one year	Repayable after one year (RMB in million)	Total
Bank loans	1,384.1	2,166.9	3,551.0
Convertible bonds	—	869.4	869.4
<b>Total</b>	<b>1,384.1</b>	<b>3,036.3</b>	<b>4,420.4</b>
Analysed as:			
Secured	400.0	0	400.0
Unsecured	984.1	3,036.3	4,020.4

Note: As of 30 June 2014, the outstanding 2016 Convertible Bonds have been reclassified as non-current liabilities due to the redemption option of the holders on 29 April 2016.

### *Operating activities*

Net cash generated from operating activities was RMB52.3 million in first six months of 2014. The Group's net profit before tax for the same period was RMB59.0 million. The difference of RMB6.8 million was primarily due to depreciation of fixed assets for the period of RMB264.0 million, a RMB105.1 million decrease in inventory, and a RMB114.1 million decrease in trade and other receivables that was partially offset by a RMB169.9 increase in trade and other payables.

### *Investing activities*

Net cash generated from investing activities for the first six months of 2014 was RMB208.7 million as compared to net cash outflows of RMB2.6 million for the same period in 2013. Purchase of property, plant and equipment for the period was RMB124.6 million. Proceeds from the disposal of the equity interest in Huanggang plant was RMB198.0 million.

### *Financing activities*

Net cash used by financing activities for the first six months of 2014 was RMB23.0 million, as compared to net cash used by financing activities of RMB380.8 million for the same period in 2013.

### **Capital Expenditure**

Capital expenditures primarily comprised purchases of property, plant and equipment, and additions to land use rights. The Group recorded total capital expenditures for the six months ended 30 June 2014 comparable to 2013. During the first six months in 2014, the Group spent RMB124.6 million on the purchase of property, plant and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2014, the Group had capital commitments of RMB67.0 million for the purchase of property, plant and equipment.

The Group expects that its capital expenditures in 2014 will be comparable to 2013. The Group plans to finance its capital expenditure requirements in the second half of 2014 primarily with cash generated from its operations and bank loans.

### Analysis on Turnover of Inventories, Trade Receivables and Trade Payables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates and purees, sugars) and finished goods (including juice and other beverage products). Raw materials make up the majority of the Group's inventory. Turnover days for raw materials increased from 129 days as at 30 June 2013 to 145 days as at 30 June 2014, and turnover days for finished goods increased from 17 days as at 30 June 2013 to 23 days as at 30 June 2014.

Turnover days for trade receivables increased to 110 days as at 30 June 2014 from 85 days in the previous year.

### Contingent Liabilities

As at 30 June 2014, the Group did not have any material outstanding contingent liabilities.

### Off-Balance Sheet Transactions

As at 30 June 2014, the Group had not entered into any off balance sheet transactions.

### Pledge of Assets

As at 30 June 2014, except the bank borrowings of RMB400.0 million secured by time deposits, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

### Capital Leases

As at 30 June 2014, the Group did not have any capital leases.

## MARKET RISKS

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

### Cash Flow and Fair Value Interest Rate Risk

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, the convertible bonds and bank borrowings denominated in the USD. The Group did not use forward contract/derivative instruments in the first half of 2014 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2014, if the RMB weakened/strengthened by 5% against the USD with all other variables remaining unchanged, the Group's profit after tax for the six months ended 30 June 2014 would have been decreased/increased by RMB99,678,000 (30 June 2013: RMB69,211,000), mainly due to the foreign exchange losses/gains on translation of USD denominated convertible bonds and bank borrowings.

### EMPLOYEES AND WELFARE CONTRIBUTION

As at 30 June 2014, the Group had 9,447 employees (31 December 2013: 7,121 employees). The emolument policy of the employees of the Group is determined by the Board on the basis of merit, qualifications and competence.

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

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

### FUTURE PROSPECTS

Looking forward, the global economy will recover in a constant pace, and China will experience a stable GDP growth along with the expectation for a healthy growth in consumption from the public. For the second half of the year, the Company will grasp every market opportunities brought about by the increase of consumer spending and implement concrete and effective operation strategies. Firstly, the Company will focus on core products, in particular 100% juice and nectars, which will be the most important focus of Huiyuan. Secondly, in respect of sales system, the Company will enhance the sale efficiency at its end points of retail sales by offering incentive to and exploring additional distributors in order to solidify the established and well-developed markets. For the sales channels to the untapped markets, the Company will widen its coverage and increase its penetration rate by way of intensive distribution. Thirdly, the operation of Suntory and the launching of international cooperation will also serve as drivers for the future growth of Huiyuan. Lastly, the Company will continue to recruit professional management personnel and improve its training program to further upgrade the management standard and execution capability of the Company.

# DIRECTORS' REPORT

The directors of the Company are pleased to present the condensed consolidated interim results of the Group for the six months ended 30 June 2014.

## Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2014.

## Financial Management and Audit Committee

The Financial Management and Audit Committee of the Company were established on 21 September 2006. The Board has adopted its terms of reference in compliance with the Code on Corporate Governance Practice (the "Old Code") contained in the then Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") since its listing on the Hong Kong Stock Exchange in 2007, and revised terms of references to be in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Hong Kong Listing Rules (the "New Code", together with the Old Code, the "Governance Code"). As at 30 June 2014, the Financial Management and Audit Committee consisted of three members, namely Mr. Leung Man Kit (chairman), Mr. Song Quanhou and Mr. Zhao Chen, all of whom are independent non-executive Directors.

The Financial Management and Audit Committee of the Company has reviewed the accounting principles and practices and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2014 together with the management of the Company and its external auditor.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2014 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention which indicates that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



### Banking facilities and other borrowings

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

- On 11 June 2012, the Company entered into an agreement (the “First Facility Agreement”) with a bank relating to a term loan facility in an aggregate principal amount of US\$100,000,000, with the final maturity date on 15 June 2015.
- On 29 August 2012, the Company entered into an agreement (the “Second Facility Agreement”) with another bank relating to a three-year term loan facility in an aggregate principal amount of US\$93,000,000.
- On 1 April 2014, the Company entered into a facility agreement (the “Third Facility Agreement”, together with the First Facility Agreement and the Second Facility Agreement, the “Bank Facility Agreements”) with a bank relating to a term loan facility in an aggregate principal amount of US\$140,000,000 with a term of 3 years.

Due to that 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 each of the Bank Facility Agreements, the Company made an announcement pursuant to the requirements of Rule 13.18 of the Listing Rules on 11 June 2012, 29 August 2012, and 1 April 2014, respectively. For details of such obligation, please refer to those announcements.

As at 30 June 2014, the outstanding amount owed by the Company under the First Facility Agreement, the Second Facility Agreement and the Third Facility Agreement was US\$52 million, US\$93 million and US\$140 million, respectively.

Further details of the bank facilities and borrowings of the Company as at 30 June 2014 are set out in note 19 to the unaudited condensed consolidated interim financial information.

## DIRECTORS' REPORT (CONTINUED)

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

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), were as follows:

#### Long positions in the ordinary shares of the Company as at 30 June 2014

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Number of shares	Percentage of the Company's issued share
Zhu Xinli	–	–	1,071,808,608 <sup>(a)</sup>	–	1,071,808,608 <sup>(a)</sup>	53.58%
	–	–	110,161,215 <sup>(b)</sup>	–	110,161,215 <sup>(b)</sup>	5.5%
Andrew Y. Yan	–	–	337,497,501 <sup>(c)</sup>	–	337,497,501 <sup>(c)</sup>	16.87%
	150,000 <sup>(d)</sup>	–	–	–	150,000 <sup>(d)</sup>	0.01%
Leung Man Kit	150,000 <sup>(d)</sup>	–	–	–	150,000 <sup>(d)</sup>	0.01%
Song Quanhou	150,000 <sup>(d)</sup>	–	–	–	150,000 <sup>(d)</sup>	0.01%
Zhao Yali	150,000 <sup>(d)</sup>	–	–	–	150,000 <sup>(d)</sup>	0.01%
Zhao Chen	150,000 <sup>(d)</sup>	–	–	–	150,000 <sup>(d)</sup>	0.01%
Daniel Saw	6,042,293 <sup>(e)</sup>	–	–	–	6,042,293 <sup>(e)</sup>	0.30%

#### Notes:

- 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.
- Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.
- These shares were beneficially owned by Sino Fountain Limited, which is indirectly wholly-owned by SAIF III GP Capital Ltd, through its indirect wholly-owned shareholding of SAIF III GP, L.P. SAIF III GP Capital Ltd. is indirectly wholly-owned by Mr. Andrew Y. Yan. Therefore, Mr. Andrew Y. Yan is deemed to be interested in the shares held by Sino Fountain Limited.
- Mr. Andrew Y. Yan, Mr. Leung Man Kit, Mr. Song Quanhou, Ms. Zhao Yali and Mr. Zhao Chen hold share options in respect of these shares.
- The interest represents the underlying awarded shares granted pursuant to the CEO & Directors Share Award Scheme.

## DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### Directors Rights to Acquire Shares

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the six months ended 30 June 2014, was the Company or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company a party to any arrangement to enable the Directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

### Share Option Scheme

The Company has adopted the Share Option Scheme as incentives for the Directors and eligible employees.

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.

## DIRECTORS' REPORT (CONTINUED)

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. Commencing from the first, second, third and fourth anniversary of grant of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2014 is as follows:

Grantee	Date of grant	Date of expiry	Exercise Price (HK\$)	Number of underlying shares comprised in the options outstanding as at 1 January 2014	Number of underlying shares comprised in the options granted during the period	Number of underlying shares comprised in the options lapsed or cancelled during the period	Number of underlying shares comprised in the options exercised during the period	Number of underlying shares comprised in the options outstanding as at 30 June 2014
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	13,769,792	–	–	–	13,769,792
Andrew Y. Yan	20 March 2014	20 March 2024	6.12	–	150,000	–	–	150,000
Leung Man Kit	20 March 2014	20 March 2024	6.12	–	150,000	–	–	150,000
Song Quanhou	20 March 2014	20 March 2024	6.12	–	150,000	–	–	150,000
Zhao Yali	20 March 2014	20 March 2024	6.12	–	150,000	–	–	150,000
Zhao Chen	20 March 2014	20 March 2024	6.12	–	150,000	–	–	150,000
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	–	27,180,000	–	–	27,180,000
				13,769,792	27,930,000			41,699,792

### Share Award Schemes

The Company has adopted the Employees Share Award Scheme and the CEO & Directors Share Award Scheme (together the “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 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.

## DIRECTORS' REPORT (CONTINUED)

It is intended that awarded shares under the 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 nonexecutive directors) or any consultant or consulting firm engaged by any member of the Group (the "Eligible Person") 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 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 Schemes, the Schemes operate for 10 years starting on the Effective Date. No contribution to the trusts will be made by the Company on or after the 10th anniversary of the Effective Date.

The Schemes are operated in parallel with the Company's Share Option Scheme adopted on 30 January 2007.

During the six months ended 30 June 2014, a total of 6,042,293 and 2,000,000 awarded shares were granted respectively under the CEO & Directors Share Award Scheme and the Employee Share Award Scheme. Details of the Schemes are set out in note 17 to the unaudited condensed consolidated interim financial information as included in this interim report.

## DIRECTORS' REPORT (CONTINUED)

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

As at 30 June 2014, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

#### Long positions / short positions in the ordinary shares of the Company as at 30 June 2014

Name	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli	1,071,808,608 <sup>(a)</sup> (L)	53.58%
	110,161,215 <sup>(c)</sup>	5.5%
Huiyuan Holdings	1,071,808,608 <sup>(a)</sup> (L)	53.58%
China Huiyuan Holdings	1,071,808,608 <sup>(a)</sup> (L)	53.58%
Entie Commercial Bank	337,497,501(L)	16.87%
Sino Fountain Limited	337,497,501 <sup>(b)</sup> (L)	16.87%
SAIF III GP Capital Ltd.	337,497,501 <sup>(b)</sup> (L)	16.87%
Mr. Andrew Y. Yan	337,497,501 <sup>(b)</sup> (L)	16.87%
	150,000 <sup>(d)</sup> (L)	0.01%
Huiyuan Employees Benefit Co., Limited <sup>(c)</sup>	110,161,215(L)	5.5%
Ms. Shi Xiuping <sup>(c)</sup>	110,161,215(L)	5.5%
Mr. Zhao Jinlin <sup>(c)</sup>	110,161,215(L)	5.5%
APG Algemene Pensioen Groep N.V.	98,774,501(L)	4.94%
Stichting Pensioenfond ABP	98,774,501(L)	4.94%
Temasek Holdings (Private) Limited	219,781,132(L)	10.99%
	219,781,132(S)	10.99%

#### Long positions in the underlying ordinary shares of the Convertible Preference Shares of the Company as at 30 June 2014

Name	Number of shares	Percentage of the Company's issued share capital
Mr. Zhu Xinli	655,326,877 <sup>(a)</sup>	32.76%

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.

## DIRECTORS' REPORT (CONTINUED)

- 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 SAIF III GP Capital Ltd.
- c) Pursuant to the deed of trust and indemnity dated 28 July 2010 between the Company and Mr. Zhu Xinli, Mr. Zhao Jinlin and Ms. Shi Xiuping, they hold on trust the net cash proceeds from the exercise of the option granted by SAIF to require SAIF, subject to certain conditions, to sell an amount of shares equivalent to 7.0% to 7.5% of the Company's issued shares at the time of SAIF's acquisition of shares of the Company for the benefit of certain classes of employees of the Company.
- d) Mr. Andrew Y. Yan holds share options in respect of these shares.

Save as disclosed above, as at 30 June 2014, the Directors are not aware of any persons who have an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

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

#### Issue of Convertible Bonds

On 31 March 2014, the Company issued the 2019 Convertible Bonds at the issue price of 100% of the principal amount of the 2019 Convertible Bonds. Details of the terms of the 2019 Convertible Bonds have been disclosed in the Company's announcement dated 20 March 2014.

#### Redemption and Cancellation of Part of Convertible Bonds Due 2016

On 29 April 2014, the Company redeemed an aggregate principal amount of US\$117.30 million of the 2016 Convertible Bonds, representing approximately 78.2% of the principal amount of US\$150 million, together with all accrued and unpaid interest in accordance with the terms and conditions of the 2016 Convertible Bonds, due to exercise of the put option right by certain holders of the 2016 Convertible Bonds. All the redeemed 2016 Convertible Bonds were cancelled forthwith upon such redemption.

Save as disclosed above, during the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

### Employment and Emolument Policies

As at 30 June 2014, the Group had 9,447 employees (31 December 2013: 7,121 employees). The emolument policy of the employees of the Group is determined by the Board on the basis of merit, qualifications and competence.

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

The Company has also adopted the Share Option Scheme, the CEO & Directors Share Award Scheme and the Employee Share Award Scheme as incentives for the Directors and eligible employees. Details of the schemes are set out under the paragraph headed "Share Option Scheme" and "Share Award Schemes" of this report and in note 17 to the unaudited condensed consolidated interim financial information.

## DIRECTORS' REPORT (CONTINUED)

### Changes to Information in respect of Directors

During the six months ended 30 June 2014, there was no changes to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

### Corporate Governance Code

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

The Company has adopted the code provisions (the "Code Provisions") set out in the Appendix 14 of the Hong Kong Listing Rules and has, since 1 April 2012, adopted the revised Code Provisions contained therein as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve a high standard of corporate practice practices. The Company has complied with all Code Provisions for the six months ended 30 June 2014.

### Directors' Securities Transactions

The Company has adopted 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") as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, they have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

On behalf of the Board

**Zhu Xinli**

*Chairman*

Beijing, 29 August 2014



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014  
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	6,768,286	6,968,560
Intangible assets	8	4,214,360	4,227,889
Land use rights	9	1,031,134	1,123,894
Deferred income tax assets		111,079	91,173
Investments in associates	10	6,714	6,413
Long-term receivable		1,075	1,288
Long-term prepayments	11	126,584	98,555
<b>Total non-current assets</b>		<b>12,259,232</b>	12,517,772
<b>Current assets</b>			
Inventories	12	1,223,416	1,325,267
Trade and other receivables	13	1,887,444	1,855,075
Restricted cash	14	407,620	577,785
Cash and cash equivalents	15	1,175,532	937,421
<b>Total current assets</b>		<b>4,694,012</b>	4,695,548
<b>Total assets</b>		<b>16,953,244</b>	17,213,320
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	16	147	147
Share premium	16	6,006,880	6,006,880
Convertible preference shares	16	2,831,338	2,831,338
Other reserves		288,918	275,306
Retained earnings		1,483,369	1,462,875
— Proposed final dividends	29	—	—
— Others		1,483,369	1,462,875
		<b>10,610,652</b>	10,576,546
Non-controlling interests in equity		147,942	147,966
<b>Total equity</b>		<b>10,758,594</b>	10,724,512

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2014  
(All amounts in RMB thousands unless otherwise stated)

		Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	18	66,974	—
Borrowings	19	2,166,912	1,837,280
Deferred government grants		82,796	92,969
Deferred income tax liabilities		9,428	9,609
Convertible bonds	20	869,376	—
<b>Total non-current liabilities</b>		<b>3,195,486</b>	1,939,858
<b>Current liabilities</b>			
Trade and other payables	18	1,556,508	1,675,734
Convertible bonds	20	—	837,576
Taxation payable		58,540	76,694
Deferred revenue		—	10,183
Borrowings	19	1,384,116	1,948,763
<b>Total current liabilities</b>		<b>2,999,164</b>	4,548,950
<b>Total liabilities</b>		<b>6,194,650</b>	6,488,808
<b>Total equity and liabilities</b>		<b>16,953,244</b>	17,213,320
<b>Net current assets</b>		<b>1,694,848</b>	146,598
<b>Total assets less current liabilities</b>		<b>13,954,080</b>	12,664,370

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For six months ended 30 June 2014  
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Revenue	6	1,965,908	2,063,611
Cost of sales	23	(1,388,195)	(1,427,431)
<b>Gross profit</b>		<b>577,713</b>	636,180
Other income — net	21	57,161	151,962
Other gains — net	22	151,004	109,813
Selling and marketing expenses	23	(504,602)	(555,560)
Administrative expenses	23	(242,019)	(161,591)
Finance expenses	25	(195,060)	(102,807)
Finance income	26	14,711	29,924
Unrealised gain on change of fair value of embedded derivatives of convertible bonds	20	268,044	10,600
Loss on early redemption of convertible bonds	20	(65,776)	—
Share of loss of associates	10	(2,144)	(1,824)
<b>Profit before income tax</b>		<b>59,032</b>	116,697
Income tax expense	27	(38,562)	(2,689)
<b>Profit for the period</b>		<b>20,470</b>	114,008
<b>Other comprehensive income for the period</b>		<b>—</b>	—
<b>Total comprehensive income for the period</b>		<b>20,470</b>	114,008
<b>Profit attributable to:</b>			
— Equity holders of the Company		20,494	114,008
— Non-controlling interests		(24)	—
		<b>20,470</b>	114,008

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

For six months ended 30 June 2014  
(All amounts in RMB thousands unless otherwise stated)

		RMB Cents per share	RMB Cents per share
<b>Earnings/(losses) per share for profit attributable to the ordinary shareholders of the Company</b>			
<b>during the period</b> (expressed in RMB cents per share)	28		
— basic		0.8	7.7
— diluted		(7.9)	7.7
<b>Earnings/(losses) per share for profit attributable to the preference shares holders of the Company</b>			
<b>during the period</b> (expressed in RMB cents per share)	28		
— basic		0.8	—
— diluted		(7.9)	—
<b>Dividends</b>	29	—	—

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2014

	Note	Unaudited						Non-controlling interests in equity	Total equity
		Attributable to the equity holders of the Company					Subtotal		
		Share capital	Share premium	Convertible preference shares	Other reserves	Retained earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2014</b>		147	6,006,880	2,831,338	275,306	1,462,875	10,576,546	147,966	10,724,512
<b>Comprehensive income</b>									
Profit for the period		–	–	–	–	20,494	20,494	(24)	20,470
<b>Total comprehensive income</b>		–	–	–	–	20,494	20,494	(24)	20,470
<b>Transactions with owners in their capacity as owners</b>									
Share-based compensation	24	–	–	–	13,612	–	13,612	–	13,612
<b>Total transactions with owners</b>		–	–	–	13,612	–	13,612	–	13,612
<b>Balance at 30 June 2014</b>		147	6,006,880	2,831,338	288,918	1,483,369	10,610,652	147,942	10,758,594
<b>Balance at 1 January 2013</b>		115	3,776,401	–	248,410	1,261,308	5,286,234	–	5,286,234
<b>Comprehensive income</b>									
Profit for the period		–	–	–	–	114,008	114,008	–	114,008
Disposal of a subsidiary		–	–	–	32,586	–	32,586	–	32,586
<b>Total comprehensive income</b>		–	–	–	32,586	114,008	146,594	–	146,594
<b>Balance at 30 June 2013</b>		115	3,776,401	–	280,996	1,375,316	5,432,828	–	5,432,828

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		234,058	837,186
Interest paid		(119,692)	(106,639)
Interest received		14,711	3,166
Income tax paid		(76,803)	(9,513)
<b>Cash flows from operating activities – net</b>		<b>52,274</b>	<b>724,200</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment (PPE)		(124,589)	(121,342)
Proceeds from disposal of PPE		3,772	2,559
Purchases of land use rights		(36,212)	(6,730)
Proceeds from disposal of subsidiaries, net of cash disposed	32	197,977	146,944
Decrease/(increase) in restricted cash		170,165	(24,073)
Investment in an associate		(2,445)	–
<b>Cash flows from investing activities – net</b>		<b>208,668</b>	<b>(2,642)</b>
<b>Cash flows from financing activities</b>			
Prepaid investment from non-controlling interests of subsidiaries		66,974	–
Proceeds from banks borrowings		2,234,705	1,107,370
Proceeds from issuance of convertible bonds		922,815	–
Redemption of convertible bonds		(745,739)	–
Repayments of borrowings from banks and other financial institution		(2,501,736)	(1,488,149)
<b>Cash flows used in financing activities – net</b>		<b>(22,981)</b>	<b>(380,779)</b>
Exchange gains/(losses) on cash and cash equivalents		150	(895)
<b>Net increase in cash and cash equivalents</b>		<b>238,111</b>	<b>339,884</b>
Cash and cash equivalents at the beginning of the period	15	937,421	521,127
<b>Cash and cash equivalents at end of the period</b>	15	<b>1,175,532</b>	<b>861,011</b>

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For six months ended 30 June 2014

## 1 General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was authorised for issue by the Board of Directors of the Company on 29 August 2014.

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

### Key events

On 31 March 2014, the Company issued US\$150,000,000 convertible bonds due 30 April 2019. Further details are given in Note 20(b).

On 29 April 2014, the Company redeemed an aggregate principal amount of US\$117,300,000 of the convertible bonds due 29 April 2016 (the “2016 Convertible Bonds”) upon exercise of the redemption option by the bondholders. Further details are given in Note 20(a).

On 4 May 2014, the Group entered into equity transfer agreements with Suntory (China) Holding Co., Ltd. (“Suntory China”), pursuant to which the Group will purchase from Suntory China 100% equity interest in Suntory (Shanghai) Foods Co., Ltd. (“Suntory Foods”) and 50% equity interest in Suntory (Shanghai) Foods Marketing Co., Ltd. (“Suntory Trading”), respectively, for a total cash consideration of RMB117,660,000. As of the date of approval of this condensed consolidated interim financial information, the acquisitions of Suntory Foods and Suntory Trading are still subject to certain major approval prior to completion.

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

For six months ended 30 June 2014

### 1 General information (continued)

#### Key events (continued)

On 12 May 2014, the Group entered into an equity transfer agreement with Chengdu Huixin International Investment Co., Ltd. (“Chengdu Huixin”), pursuant to which the Group agreed to sell and transfer the entire equity interest in Beijing Huiyuan Group Huanggang Co., Ltd. (“Huanggang Huiyuan”, a wholly-owned subsidiary of the Company) to Chengdu Huixin for a total consideration of RMB360,000,000. As at 30 June 2014, the disposal of Huanggang Huiyuan has been completed. Further details are given in Note 32.

### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### 3 Accounting policies

(a) Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted IFRIC-Int 21 ‘Levies’. IFRIC-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect IFRIC-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.
- Other amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

- Annual improvements 2012 (effective from 1 July 2014).
- Annual improvements 2013 (effective from 1 July 2014).



### 3 Accounting policies (continued)

(b) (continued)

- IFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2017).
- IFRS 9 'Financial Instruments' (effective from 1 January 2018).

The Group has commenced an assessment of the impact to the Group for the above but is not yet in a position to state whether they will result in any significant changes to the Group's accounting policies and presentation of the financial information.

In addition to those disclosed above, there are a number of amendments and interpretations to the existing standards which have been published and are not yet effective for the financial year ending 31 December 2014 and are not early adopted.

### 4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

### 5 Financial risk management

#### 5.1 Financial risk factors

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

##### (a) *Foreign exchange risk*

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD"). The Group is also exposed to foreign currency exchange risk arising from bank deposits, convertible bonds and bank borrowings denominated in USD. The Group did not use forward contract/ derivative instruments in the first half year of 2014 but may use them from time to time to hedge against certain material foreign exchange exposures.

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

For six months ended 30 June 2014

### 5 Financial risk management (continued)

#### 5.1 Financial risk factors (continued)

##### (a) Foreign exchange risk (continued)

As at 30 June 2014, if the RMB weakened/strengthened by 5% against the USD with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2014 would have decreased/increased by RMB99,678,000 (30 June 2013: RMB69,211,000), mainly due to the foreign exchange losses/gains on retranslation of USD-denominated convertible bonds and bank borrowings.

##### (b) Capital risk management

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

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

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

As at 30 June 2014, the debt-to-equity ratio was 41.7% (including convertible bonds in the debt portion) (31 December 2013: 43.7%), and 33.0% (excluding convertible bonds in the debt portion) (31 December 2013: 35.3%) respectively.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management policies since 2013 year end.

## 5 Financial risk management (continued)

### 5.2 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Liabilities</b>				
Embedded derivatives of 2016 Convertible bonds	—	—	7,722	7,722
Embedded derivatives of 2019 Convertible bonds	—	—	44,263	44,263
	—	—	51,985	51,985

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

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

For six months ended 30 June 2014

### 5 Financial risk management (continued)

#### 5.2 Fair value estimation (continued)

If the market price of the Company's share had been 10% higher/lower than management's estimates at 30 June 2014, the fair value of the embedded derivatives of the 2016 Convertible Bonds would have increased/decreased by RMB1,952,000 and RMB2,063,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2014, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB369,000 and RMB378,000, respectively. If the volatility rate had been 1% higher/lower than management's estimates at 30 June 2014, it would have increased/decreased the fair value of embedded derivatives of the 2016 Convertible Bonds by RMB470,000 and RMB471,000, respectively.

If the market price of the Company's share had been 10% higher/lower than management's estimates at 30 June 2014, the fair value of the embedded derivatives of the 2019 Convertible Bonds would have increased/decreased by RMB60,388,000 and RMB30,476,000, respectively. If the discount rate had been 1% higher/lower than management's estimates at 30 June 2014, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB14,145,000 and RMB9,806,000, respectively. If the volatility rate had been 1% higher/lower than management's estimates at 30 June 2014, it would have increased/decreased the fair value of embedded derivatives of the 2019 Convertible Bonds by RMB615,000 and RMB3,445,000, respectively.

### 6 Revenue and segment information

Management determines the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors assess revenue from a product perspective while profit for the year/period is assessed on a consolidated basis. The Group's expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products to external customers, which are considered as one reportable segment. After the completion of the acquisition of puree and concentrated juice business in October 2013, the Group becomes a vertically integrated business with operations along the value chain from fruit processing to sales and marketing of juice and other beverage products. The puree and concentrated business does not have a majority of revenue from external customers, and management determines neither to separately review the performance of the business nor to report the business externally as a business segment. As a result, the puree and concentrated juice business has been combined into the juice and other beverage products segment.

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

For six months ended 30 June 2014

### 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 revenue. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented. Breakdown of the revenue by product category is as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
100% juice products	393,710	423,806
Nectars	589,345	509,499
Juice drinks	435,406	584,334
Water and other beverage products	547,447	545,972
	<b>1,965,908</b>	2,063,611

The Group made barter sales of approximately RMB22,438,000 during the six months ended 30 June 2014 in exchange for property, plant and equipment (motor vehicles and office equipment) (corresponding period in 2013: RMB9,110,000).

### 7 Property, plant and equipment

	Unaudited RMB'000
<b>Opening net book amount as at 1 January 2014</b>	<b>6,968,560</b>
Additions	212,146
Disposals	(41,335)
Disposals of a subsidiary (Note 32)	(107,119)
Depreciation charge (Note 23)	(263,966)
<b>Closing net book amount as at 30 June 2014</b>	<b>6,768,286</b>
<b>Six months ended 30 June 2013</b>	
<b>Opening net book amount as at 1 January 2013</b>	6,025,704
Additions	199,906
Disposals	(2,982)
Disposal of a subsidiary	(47,381)
Depreciation charge (Note 23)	(203,983)
<b>Closing net book amount as at 30 June 2013</b>	<b>5,971,264</b>

There was no property, plant and equipment pledged as security for borrowings as at 30 June 2014 (31 December 2013: nil).

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

For six months ended 30 June 2014

### 8 Intangible assets

	Unaudited					
	Sales distribution network	Goodwill	Trademarks	License right	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Opening net book amount as at 1 January 2014</b>	<b>167,511</b>	<b>3,941,580</b>	<b>117,620</b>	<b>—</b>	<b>1,178</b>	<b>4,227,889</b>
Amortisation (a) (Note 23)	(10,518)	—	(2,964)	—	(47)	(13,529)
<b>Closing net book amount as at 30 June 2014</b>	<b>156,993</b>	<b>3,941,580</b>	<b>114,656</b>	<b>—</b>	<b>1,131</b>	<b>4,214,360</b>
<b>Opening net book amount as at 1 January 2013</b>	148,480	166,067	122,808	739	339	438,433
Amortisation (a) (Note 23)	(6,545)	—	(2,226)	(739)	(30)	(9,540)
<b>Closing net book amount as at 30 June 2013</b>	<b>141,935</b>	<b>166,067</b>	<b>120,582</b>	<b>—</b>	<b>309</b>	<b>428,893</b>

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

The other key assumptions used for value-in-use calculations in 2014 mainly include budgeted gross margin, which is within a range of 35%–38%. The discount rate used in goodwill impairment assessment for the six months ended 30 June 2014 is 10.5% (the year ended 31 December 2013: 10.5%).

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

The directors are of the view that there was no impairment of goodwill as at 30 June 2014.

During the six months ended 30 June 2014, puree and concentrated juice business earned revenue of RMB31,818,000 and profit of RMB4,540,000 after the elimination of intercompany transactions.

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

For six months ended 30 June 2014

### 9 Land use rights

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

	Unaudited	
	2014	2013
	RMB'000	RMB'000
<b>In the PRC held on:</b>		
Leases of between 30 to 50 years	1,031,134	743,360
<b>Representing:</b>		
Opening net book amount as at 1 January	1,123,894	746,261
Additions	33,076	25,268
Amortisation of prepaid operating lease payments (Note 23)	(12,717)	(8,226)
Disposals	(12,762)	—
Disposal of a subsidiary (Note 32)	(100,357)	(19,943)
<b>Closing net book amount as at 30 June</b>	<b>1,031,134</b>	<b>743,360</b>

### 10 Investments in associates

	Unaudited
	RMB'000
<b>At 1 January 2014</b>	6,413
Investment in an associate	2,445
Share of loss of associates	(2,144)
<b>At 30 June 2014</b>	<b>6,714</b>

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

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Share of loss RMB'000	% interest held
Golden Creation (Tianjin) Trade Co. Ltd.	China	40,373	(29,038)	13,952	(2,144)	24.45
Beijing Xiangjuzhai Huiyuan Beverage Co., Ltd (a)	China	16,676	(17,867)	5,036	—	30.00

- (a) The investment in Beijing Xiangjuzhai Huiyuan Beverage Co. Ltd. (Beijing Xiangjuzhai) has been reduced to nil after sharing its loss for the year ended 31 December 2013. There was no additional obligation to share the loss of Beijing Xiangjuzhai for the six months ended 30 June 2014.

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

For six months ended 30 June 2014

### 11 Long-term prepayments

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Long-term prepayments for land use rights	61,038	57,902
Long-term prepayments for property, plant and equipment	38,718	36,269
Long-term prepayments for advertising	26,828	4,384
	<b>126,584</b>	<b>98,555</b>

### 12 Inventories

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Raw materials	738,960	896,897
Finished goods	176,920	104,953
Spare parts and consumable materials	307,536	323,417
	<b>1,223,416</b>	<b>1,325,267</b>

The cost of inventories recognised as expenses amounted to RMB928,917,000 for the six months ended 30 June 2014 (corresponding period in 2013: RMB1,072,721,000).

### 13 Trade and other receivables

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade receivables — net	1,143,117	1,088,471
Related parties (Note 33(c))	63,947	60,820
Third parties (a)	1,182,171	1,083,594
Less: Provision for impairment of trade receivables	(103,001)	(55,943)
Bills receivable — third parties	41,975	39,326
Prepayments of raw materials and others — third parties	314,071	346,440
Deductible value added tax — input balance	200,830	207,473
Other receivables	187,451	173,365
Related parties (Note 33(c))	45	27,194
Third parties	211,765	182,621
Less: Provision for impairment of other receivables	(24,359)	(36,450)
	<b>1,887,444</b>	<b>1,855,075</b>



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

For six months ended 30 June 2014

### 13 Trade and other receivables (continued)

The carrying amounts of receivables approximate their fair value.

- (a) The majority of the Group's sales are settled in cash or by cheque on delivery of goods, except for a customer on OEM business and sales to selected distributors and supermarkets which are settled within the credit terms as agreed in respective sales contracts. The majority of these customers are with credit terms of 90 to 180 days. Certain customers with long-term relationship are extended preferential credit terms exceeding 180 days. As at 30 June 2014 and 31 December 2013, an aging analysis of trade receivables was as follows:

— Third parties

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within 3 months	<b>725,066</b>	672,211
Between 4 and 6 months	<b>91,735</b>	63,567
Between 7 and 12 months	<b>281,602</b>	326,662
Between 1 and 2 years	<b>83,768</b>	21,154
	<b>1,182,171</b>	1,083,594

— Related parties

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within 3 months	<b>20,701</b>	60,148
Over 3 months	<b>43,246</b>	672
	<b>63,947</b>	60,820

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

For six months ended 30 June 2014

### 14 Restricted cash

Restricted cash comprised letter of credit deposits for the purchasing of equipment, deposit as guarantee for note payables and time deposits as guarantee for bank borrowings. All the restricted cash is dominated in RMB.

### 15 Cash and cash equivalents

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Cash at banks and cash in hand		
Denominated in		
– RMB Yuan	1,540,805	1,486,108
– U.S. Dollar	32,284	23,981
– Euro	5,242	5,038
– Others	4,821	79
	<b>1,583,152</b>	1,515,206
Less: restricted cash (Note 14)		
– pledged for letter of credits	(134,802)	(65,947)
– deposit as guarantee for note payables	(40,500)	(41,838)
– time deposits as guarantee for bank borrowings	(232,318)	(470,000)
	<b>1,175,532</b>	937,421

### 16 Share capital and share premium

	Number of shares of USD0.00001 each (Thousands)	Share capital RMB'000	Share premium RMB'000	Convertible preference shares RMB'000	Total RMB'000
At 1 January 2014	2,000,275	147	6,006,880	2,831,338	8,838,365
At 30 June 2014	2,000,275	147	6,006,880	2,831,338	8,838,365

## 16 Share capital and share premium (continued)

- (a) There is no change in share capital and share premium during the six months ended 30 June 2014.
- (b) On 21 October 2013, the Company issued 655,326,877 convertible preference shares (the "CPS") to the controlling shareholder in the aggregate principal amount of HK\$3,578,085,000 (equivalent to approximately RMB2,831,338,000). Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments). Each CPS has the same right to receive dividends and other distributions as the ordinary share, but carries no voting rights as the ordinary share and it has a seniority on the distribution of assets upon liquidation, winding-up or dissolution of the Company. The CPS are non-redeemable by the Company or the holders.

As at 30 June 2014, none of the CPS has been converted into ordinary shares of the Company.

## 17 Share-based compensation

### (a) Share Option Scheme

The share option scheme was approved on 30 January 2007.

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

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

27,180,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of five years. Commencing from the first, second, third and fourth anniversary of the date of grant, the relevant grantees may exercise up to 25%, 50%, 75% and 100%, respectively, of the shares comprised in his or her option.

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

For six months ended 30 June 2014

### 17 Share-based compensation (continued)

#### (a) Share Option Scheme (continued)

750,000 share options granted under the Share Option Scheme on 20 March 2014 have a vesting period of three years.

Movement of the options granted under the share option scheme during the period ended 30 June 2014 is as follows:

Grantee	Date of grant	Date of expiry	Exercise Price (HK\$)	Number of underlying shares comprised in the options outstanding as at 1 January 2014	Number of underlying shares granted during the period	Number of underlying shares comprised in the options lapsed or cancelled during the period	Number of underlying shares comprised in the options exercised during the period	Number of underlying shares comprised in the options outstanding as at 30 June 2014
An aggregate of 515 employees	25 February 2008	25 February 2018	6.39	13,769,792	–	–	–	13,769,792
An aggregate of 129 employees	20 March 2014	20 March 2024	6.12	–	27,180,000	–	–	27,180,000
An aggregate of 5 directors	20 March 2014	20 March 2024	6.12	–	750,000	–	–	750,000

The fair value of the share options granted on 20 March 2014 has been valued by an independent qualified valuer using the Binomial valuation model.

	RMB'000
Fair value of the share options granted on 20 March 2014	51,622

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

For six months ended 30 June 2014

### 17 Share-based compensation (continued)

#### (a) Share Option Scheme (continued)

The details of fair values and significant inputs into the model were as follows:

Grant date	20 March 2014
Spot share price (HK\$)	6.12
Strike price (HK\$)	6.12
Expected volatility	42.67%
Maturity (years)	10
Interest rate	2.30%
Dividend yield	0%
Suboptimal exercise factor for employees	1.5

The expected volatility is estimated by making reference to the volatility of the Company and the other companies with similar backgrounds and/or nature of business as the Company.

Fair values of the share options are charged to the consolidated statement of comprehensive income over the vesting periods of the options. The amount charged to the consolidated comprehensive income statement as employee benefit expense during the six months ended 30 June 2014 was approximately RMB259,000 (corresponding period in 2013: nil).

#### (b) Share Award Scheme

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

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

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

For six months ended 30 June 2014

### 17 Share-based compensation (continued)

#### (b) Share Award Scheme (continued)

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

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

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

During the six months ended 30 June 2014, the Group granted an aggregate of 8,042,293 shares with fair value of RMB31,906,000 to the chief executive officer and one employee grantee of the Company. The fair value of shares awarded and charged to the condensed consolidated statement of comprehensive income was RMB13,354,000 for the six months ended 30 June 2014.

### 18 Trade and other payables

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade payables (a)	<b>956,306</b>	1,082,898
Related parties (Note 33(c))	<b>28,568</b>	40,001
Third parties	<b>927,738</b>	1,042,897
Other payables	<b>667,176</b>	592,836
Related parties (Note 33(c))	<b>53,768</b>	4,034
Third parties	<b>613,408</b>	588,802
	<b>1,623,482</b>	1,675,734

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

For six months ended 30 June 2014

### 18 Trade and other payables (continued)

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade and other payables		
Non-current (b)	66,974	—
Current	1,556,508	1,675,734
	<b>1,623,482</b>	1,675,734

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

— Third parties

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within 3 months	876,624	934,830
Between 4 and 6 months	21,818	44,035
Between 7 and 12 months	18,119	49,883
Between 1 and 2 years	5,456	8,339
Between 2 and 3 years	5,526	5,648
Over 3 years	195	162
	<b>927,738</b>	1,042,897

— Related parties

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Within 3 months	28,568	35,648
Between 4 and 6 months	—	2,260
Between 7 and 12 months	—	2,093
	<b>28,568</b>	40,001

(b) In June 2014, the Group and the non-controlling shareholder agreed to inject addition capital to Kashi Huiyuan Food and Beverage Co. Ltd. (Kashi Huiyuan), one of the subsidiaries of the Group. As of 30 June 2014, Kashi Huiyuan has received the prepaid capital of RMB66,974,000 from the non-controlling shareholder.

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

For six months ended 30 June 2014

### 19 Borrowings

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
<b>Non-current</b>		
Bank borrowings	2,166,912	1,837,280
<b>Current</b>		
Bank borrowings	1,384,116	1,948,763
<b>Total Bank borrowings</b>	<b>3,551,028</b>	3,786,043

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Unsecured	3,151,028	3,786,043
Secured	400,000	—
<b>Total Bank borrowings</b>	<b>3,551,028</b>	3,786,043

The Group has bank borrowings of RMB400,000,000 secured by certain time deposits as at 30 June 2014. The Group has no borrowings secured by property, plant and equipment, and land use rights.



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

For six months ended 30 June 2014

### 19 Borrowings (continued)

Movements in borrowings is analysed as follows:

	Unaudited RMB'000
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	3,786,043
Additions	2,234,705
Repayments of borrowings	(2,469,720)
<b>Closing amount as at 30 June 2014</b>	<b>3,551,028</b>
<b>Six months ended 30 June 2013</b>	
Opening amount as at 1 January 2013	2,982,955
Additions	1,107,370
Repayments of borrowings	(1,505,080)
<b>Closing amount as at 30 June 2013</b>	<b>2,585,245</b>

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

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
RMB	1,789,047	1,828,882
USD	1,723,664	1,957,161
HKD	38,317	—
	<b>3,551,028</b>	3,786,043

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

For six months ended 30 June 2014

### 19 Borrowings (continued)

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

	Unaudited 30 June 2014	Audited 31 December 2013
Within 6 months	<b>3,102,611</b>	3,393,174
6–12 months	<b>448,417</b>	392,869
	<b>3,551,028</b>	3,786,043

- (b) The effective interest rates at the balance sheet dates were as follows:

	Unaudited 30 June 2014	Audited 31 December 2013
Bank borrowings	<b>5.73%</b>	5.61%

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

The carrying amounts of current borrowings approximate their fair values.

The Group has undrawn borrowing facilities of RMB400 million as at 30 June 2014 (31 December 2013: RMB400 million).

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

For six months ended 30 June 2014

### 20 Convertible bonds

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
<b>Non-current</b>		
The 2016 Convertible Bonds (a)	183,885	—
The 2019 Convertible Bonds (b)	685,491	—
	<b>869,376</b>	—
<b>Current</b>		
The 2016 Convertible Bonds (a)	—	837,576
	<b>869,376</b>	837,576

- (a) 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 2013.

On 29 April 2014, the Company redeemed an aggregate principal amount of US\$117,300,000 of the 2016 Convertible Bonds upon exercise of the redemption option by the bondholders. The difference of RMB65,776,000 between the consideration of US\$121,042,000 (103.19% of US\$117,300,000, equivalent to approximately RMB745,144,000) and the convertible bonds derecognised of RMB679,368,000 (Note 20(c)) has been recognised as “loss on early redemption of convertible bonds” in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014.

As at 30 June 2014, the fair value of the 2016 Convertible Bonds outstanding was determined by an independent qualified valuer. The fair value of the liability component of the 2016 Convertible Bonds was calculated at the present value of the redemption amount, at 105.6% of the outstanding principal amount. The fair value of the conversion rights of the 2016 Convertible Bonds was determined using the binomial valuation model.

The fair value change in the conversion rights of the 2016 Convertible Bonds for the six months ended 30 June 2014 of RMB9,182,000 was recognised as “unrealised gain on change of fair value of embedded derivatives of convertible bonds” in the condensed consolidated statement of comprehensive income. The related interest expense of the liability component of the 2016 Convertible Bonds for the six months ended 30 June 2014 was calculated using the effective interest method with an effective interest rate of 16.45%.

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

For six months ended 30 June 2014

### 20 Convertible bonds (continued)

(a) (continued)

As at 30 June 2014, the 2016 Convertible Bonds were classified as non-current liabilities as the Company is not obliged to redeem the remaining outstanding bonds until 29 April 2016.

As at 31 December 2013, the 2016 Convertible Bonds were classified as current liabilities due to that the redemption option of the bonds falls on 29 April 2014.

(b) 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).

## 20 Convertible bonds (continued)

(b) (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 31 March 2017.

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

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

The fair value of the 2019 Convertible Bonds was determined by an independent qualified valuer. The fair value of the liability component upon the issuance of the 2019 Convertible Bonds was calculated at the present value of the redemption amount, at 105% of the principal amount. The fair value of the embedded derivatives (conversion component) of the 2019 Convertible Bonds was determined using the binomial valuation model.

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

For six months ended 30 June 2014

### 20 Convertible bonds (continued)

(b) (continued)

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

According to the valuation report issued by an independent qualified valuer, the fair value of the 2019 Convertible Bonds on 31 March 2014 amounted to US\$191 million. The difference between the fair value of the 2019 Convertible Bonds and the cash consideration of US\$150 million, amounting to US\$41 million (equivalent to approximately RMB251,906,000) was deferred and allocated between the liability component and conversion component based on the relative fair values of these two components on the date of issuance of the 2019 Convertible Bonds. The portion allocated to the liability component was recognised over the terms of 2019 Convertible Bonds using the effective interest method whereas the remaining portion allocated to the conversion component was amortised on a straight-line method over the terms of 2019 Convertible Bonds. The effective interest rate of the liability component is 13.95%.

The Company decided to issue the 2019 Convertible Bonds, even though the fair value of the 2019 Convertible Bonds was higher than the cash consideration, because the Company required additional capital to finance its general working capital requirements and the potential redemption of the 2016 Convertible Bonds.

The fair value change in the embedded derivatives (conversion component) of the 2019 Convertible Bonds for the six months ended 30 June 2014 of RMB262,931,000 and the amortisation of deferred loss on conversion component of RMB4,069,000 were recognised as “unrealised gain from change of fair value of embedded derivatives of convertible bonds” in the condensed consolidated statement of comprehensive income. The related interest expense of the liability component of the 2019 Convertible Bonds for the six months ended 30 June 2014 was calculated using the effective interest method with an effective interest rate of 13.95%.

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

For six months ended 30 June 2014

### 20 Convertible bonds (continued)

- (c) The movements in the components of the 2016 Convertible Bonds and the 2019 Convertible Bonds during the six months ended 30 June 2014 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds		
	Liability component	Embedded derivatives	Total	Liability component	Embedded derivatives	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014	757,261	80,315	837,576	—	—	—
Issuance of convertible bonds	—	—	—	788,851	385,870	1,174,721
Deferred losses upon issuance	—	—	—	(169,161)	(82,745)	(251,906)
Gain on change of fair value of embedded derivatives	—	(9,182)	(9,182)	—	(262,931)	(262,931)
Amortisation of deferred loss on conversion component	—	—	—	—	4,069	4,069
Redemption of convertible bonds	(615,957)	(63,411)	(679,368)	—	—	—
Interest expense	46,113	—	46,113	21,464	—	21,464
Interest paid	(18,483)	—	(18,483)	—	—	—
Unrealised exchange loss	7,230	—	7,230	73	—	73
As at 30 June 2014	176,164	7,722	183,886	641,227	44,263	685,490

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of the 2016 Convertible Bonds and the 2019 Convertible Bonds at 30 June 2014 amounted to RMB205,590,000 and RMB836,904,000 respectively, which are calculated using cash flows discounted at a rate of 6.20% and 7.42% respectively.

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

For six months ended 30 June 2014

### 21 Other income — net

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Government subsidy income	<b>25,006</b>	137,014
Net income from sales of materials and scrap	<b>5,331</b>	6,688
Amortisation of deferred government grants	<b>10,624</b>	1,978
Gain on disposals of property, plant and equipment	<b>14,599</b>	937
Net income from sales of trucks	—	—
Sales of trucks	—	46,221
Cost of trucks	—	(46,221)
Others	<b>1,601</b>	5,345
	<b>57,161</b>	151,962

### 22 Other gains — net

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of a subsidiary (Note 32)	<b>151,004</b>	200,090
Impairment loss on long-term receivable arising from a disposal	—	(90,277)
	<b>151,004</b>	109,813



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

For six months ended 30 June 2014

### 23 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Raw materials used and changes in inventories (Note 12)	<b>928,917</b>	1,072,721
Advertising and other marketing expenses	<b>364,370</b>	397,107
Depreciation of property, plant and equipment (Note 7)	<b>263,966</b>	203,983
Employee benefit expense (Note 24)	<b>184,419</b>	150,888
Water and electricity	<b>101,871</b>	95,043
Transportation and related charges	<b>90,977</b>	86,146
Repairs and maintenance	<b>33,972</b>	22,237
Land use tax	<b>17,105</b>	14,707
Travelling expense	<b>10,955</b>	10,693
Amortisation of intangible assets (Note 8)	<b>13,529</b>	9,540
(Reversal of)/provision for impairment loss on inventories	<b>(3,291)</b>	9,385
Office and communication expenses	<b>14,749</b>	8,323
Amortisation of land use rights (Note 9)	<b>12,717</b>	8,226
Impairment loss for trade and other receivables	<b>31,293</b>	3,780
Donation	<b>8,005</b>	—
Rental expenses	<b>4,278</b>	4,122
Other expenses	<b>56,984</b>	47,681
Total cost of sales, selling and marketing expenses and administrative expenses	<b>2,134,816</b>	2,144,582

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

For six months ended 30 June 2014

### 24 Employee benefit expense

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Wages and salaries		<b>145,524</b>	125,425
Contributions to pension plan and other benefits	(a)	<b>25,283</b>	25,463
Share-based compensation		<b>13,612</b>	—
		<b>184,419</b>	150,888

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

#### (b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company during the six months ended 30 June 2014 and 2013 were as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries, wages and bonuses	<b>1,532</b>	2,823
Contributions to pension plan	<b>13</b>	52
Welfare and other expenses	<b>58</b>	24
Share-based compensation	<b>259</b>	—
	<b>1,862</b>	2,899

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

For six months ended 30 June 2014

### 25 Finance expenses

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest expenses:		
— Bank borrowings	<b>116,353</b>	84,754
— Interest expense relating to convertible bonds (Note 20(c))	<b>67,577</b>	56,383
Exchange loss (excluding convertible bonds)	<b>21,862</b>	—
Exchange loss on liability component of convertible bonds (Note 20(c))	<b>7,303</b>	—
Less: Interest capitalised	<b>(18,035)</b>	(38,330)
	<b>195,060</b>	102,807
Weighted average effective interest rate used to calculate interest capitalisation amount	<b>4.84%</b>	5.00%

### 26 Finance income

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income from bank deposits	<b>14,711</b>	3,166
Exchange gain (excluding convertible bonds)	—	14,928
Exchange gain on liability component of convertible bonds	—	11,830
	<b>14,711</b>	29,924

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

For six months ended 30 June 2014

### 27 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	<b>58,742</b>	13,270
Deferred income tax credit	<b>(20,180)</b>	(10,581)
	<b>38,562</b>	2,689

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

The Group's effective tax rate for the six months ended 30 June 2014 was 65.32% (corresponding period in 2013: 2.30%). The PRC tax bureau disallowed certain expenses for the year ended 31 December 2013 upon the income tax annual filing in May 2014.

According to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the six months ended 30 June 2014 and for the year ended 31 December 2013 since the Group plans to reinvest such profits to expand operation in the PRC and has no plan to distribute such profits in the foreseeable future.

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

For six months ended 30 June 2014

### 28 Earnings per share

#### (a) Basic

On 21 October 2013, the Company issued 655,326,877 convertible preference shares (Note 16(b)).

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit attributable to equity holders of the Company		
Basic earnings attributable to ordinary shares	<b>15,437</b>	114,008
Basic earnings attributable to convertible preference shares	<b>5,057</b>	—
	<b>20,494</b>	114,008

	Unaudited			
	Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2014	2013	2014	2013
Weighted average number of shares outstanding for basic earnings per share (thousands)	<b>2,000,275</b>	1,477,953	<b>655,327</b>	—

	Unaudited	
	Six months ended 30 June	
	2014	2013
Basic earnings per ordinary share (RMB cents)	<b>0.8</b>	7.7
Basic earnings per convertible preference share (RMB cents)	<b>0.8</b>	—

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

For six months ended 30 June 2014

### 28 Earnings per share (continued)

#### (b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares and convertible preference shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under the 2016 Convertible Bonds, the 2019 Convertible Bonds and share option schemes. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	20,494	114,008
Add: Interest expense relating to the 2019 Convertible Bonds	21,464	—
Add: Unrealised exchange loss relating to the 2019		
Convertible Bonds	73	—
Less: Fair value changes of conversion rights of the 2019		
Convertible Bonds	(258,862)	—
(Loss)/profit attributable to equity holders of the Company, used to determine diluted (losses)/earnings per share	(216,831)	114,008
Diluted (losses)/earnings attributable to ordinary shares	(164,978)	114,008
Diluted losses attributable to convertible preference shares	(51,853)	—
	(216,831)	114,008

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

For six months ended 30 June 2014

### 28 Earnings per share (continued)

#### (b) Diluted (continued)

	Unaudited			
	Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2014	2013	2014	2013
Weighted average number of shares outstanding for basic earnings per share (thousands)	2,000,275	1,477,953	655,327	—
Adjustment for the 2019				
Convertible Bonds	84,567	—	—	—
Adjustment for Share Award Scheme	188	—	—	—
Weighted average number of shares outstanding for diluted (losses)/earnings per share (thousands)	2,085,030	1,477,953	655,327	—

	Unaudited	
	Six months ended 30 June	
	2014	2013
Diluted (losses)/earnings per ordinary share (RMB cents)	(7.9)	7.7
Diluted losses per convertible preference share (RMB cents)	(7.9)	—

For the purpose of calculating diluted (losses)/earnings per share for the six months ended 30 June 2014 and 2013:

- The 2016 Convertible Bonds are assumed to have been converted into ordinary shares with the impact of interest expense of, unrealised exchange gain of and fair value changes of conversion rights of the 2016 Convertible Bonds. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted (losses)/earnings per share for the six months ended 30 June 2014 and 2013;
- The share options are assumed to have been exercised with no corresponding change in profit attributable to equity holders of the Company. This potential adjustment resulting in an anti-dilutive effect in the calculation of diluted (losses)/earnings per share for the six months ended 30 June 2014 and 2013.

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

For six months ended 30 June 2014

### 29 Dividends

The board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2014 (corresponding period in 2013: nil).

### 30 Contingent liabilities

There were no material contingent liabilities as at 30 June 2014.

### 31 Commitments

#### (a) Capital commitments

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

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Purchase of property, plant and equipment	<b>67,018</b>	83,327

#### (b) Operating lease commitments

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

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

*The Group is the lessee*

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
No later than 1 year	<b>2,000</b>	2,000
Later than 1 year and no later than 5 years	<b>3,000</b>	4,000
	<b>5,000</b>	6,000



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

For six months ended 30 June 2014

### 32 Disposal of a subsidiary

On 12 May 2014, the Group entered into an agreement with Chengdu Huixin, to transfer its entire equity interest in Huanggang Huiyuan, an indirect wholly-owned subsidiary of the Company, for a total cash consideration of RMB360,000,000. As of 30 June 2014, the disposal of Huanggang Huiyuan has been completed.

	Unaudited 30 June 2013 RMB'000
<b>Consideration satisfied by</b>	
Cash	198,000
Consideration receivable	162,000
	<hr/> 360,000
<b>Gain on disposal of the subsidiary</b>	
Total consideration	360,000
Net assets of the subsidiary disposed — shown as below	(208,996)
	<hr/> 151,004

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

For six months ended 30 June 2014

### 32 Disposal of a subsidiary (continued)

The assets and liabilities of this disposed subsidiary as of disposal date:

	Carrying value RMB'000
Property, plant and equipment	107,119
Land use rights	100,357
Trade and other receivables	2,751
Cash and cash equivalents	23
Trade and other payables	(1,245)
<b>Net assets of the subsidiary</b>	<b>208,996</b>

#### **Cash inflows arising from disposal of the subsidiary for the six months ended 30 June 2014**

Proceeds received in cash	198,000
Cash and cash equivalents in the subsidiary disposed	(23)
<b>Cash inflows on the disposal during the period</b>	<b>197,977</b>

As of 30 June 2014, the disposal of equity interest of Huanggang Huiyuan has been completed. As of 14 August 2014, the Company has received all the consideration of RMB360,000,000.

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

For six months ended 30 June 2014

### 33 Related-party transactions

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

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Sales of goods and services</b>		
Sales of recyclable containers	6,254	17,447
Sales of goods to an associate	34,287	20,066
	<b>40,541</b>	37,513
<b>Purchase of materials and services</b>		
Purchase of raw materials	52,294	298,047
<b>Key management compensation</b>		
Salaries, wages and bonuses	7,137	2,456
Contributions to pension plan	70	275
Welfare and other expenses	598	106
Share-based compensation	13,612	—
	<b>21,417</b>	2,837

During the six months ended 30 June 2014 and 2013, one subsidiary of the Group, Beijing Huiyuan Food & Beverage Co., Ltd, has been using and will continue to use certain office premises owned by Beijing Huiyuan Beverage & Food Group Co. Ltd., a related party beneficially owned by the controlling shareholder, at nil cost.

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

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

For six months ended 30 June 2014

### 33 Related-party transactions (continued)

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

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Trade receivables	13	<b>63,947</b>	60,820
Other balances due from related parties	13	<b>45</b>	23,936
Trade payables	18	<b>28,568</b>	—
Other balances due to related parties	18	<b>53,768</b>	4,035

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

### 34 Events after the balance sheet date

On 22 July 2014, CPS with carrying value of HK\$982,800,000 (equivalent to approximately RMB777,690,000) were converted into 180,000,000 ordinary shares of the Company.

## GLOSSARY OF TERMS

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

## GLOSSARY OF TERMS (CONTINUED)

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

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

\* For identification purpose only