CHINA HUIYUAN JUICE GROUP LIMITED

中國滙源果汁集團有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

Key Financial Figures

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**2,801,666**	2,686,497
Cost of sales	**1,586,369**	1,611,998
Gross profit	**1,215,297**	1,074,499
Profit attributable to equity holders of the Company	**55,921**	31,371
Adjusted profit attributable to equity holders of the Company *(Note 1)*	**297,038**	115,213
EBITDA *(Note 2)*	**818,437**	473,750
Earnings per share for profit attributable to the ordinary shareholders of the Company during the period (expressed in RMB cents per share)		
— basic	**2.1**	1.2
— diluted	**2.1**	0.0
Earnings per share for profit attributable to the preference shares holders of the Company during the period (expressed in RMB cents per share)		
— basic	**—**	1.2
— diluted	**—**	0.0

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

Note 2: The calculation of EBITDA is gross profit minus selling and marketing expenses and administrative expenses, adding back depreciation of property, plant and equipment, amortisation of deferred government grants, amortisation of intangible assets, amortisation of land use rights, government subsidy income, finance income and net income from sales of materials and scrap.

* *For identification purposes only*

- For the six months ended 30 June 2017, revenue of the Group increased by 4.3% to RMB2,801.7 million from RMB2,686.5 million for the corresponding period of 2016. Gross profit was RMB1,215.3 million. The Group recorded a profit attributable to equity holders of the Company of RMB55.9 million for the six months ended 30 June 2017. Basic earnings per share amounted to RMB2.1 cents for the period.

- According to Nielsen, the Group had a 45.8% and 35.3% share of the PRC market by sales volume in terms of 100% juice and nectars for 2017, respectively, maintaining its leading position in the respective markets.

In this announcement "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board ("**Board**") of directors (the "**Directors**") of China Huiyuan Juice Group Limited (the "**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**Huiyuan**") for the six months ended 30 June 2017, along with the comparative figures for the corresponding period of last year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	4	**2,801,666**	2,686,497
Cost of sales	6	**(1,586,369)**	(1,611,998)
Gross profit		**1,215,297**	1,074,499
Other income — net	5	**30,692**	102,467
Selling and marketing expenses	6	**(577,377)**	(782,492)
Administrative expenses	6	**(119,391)**	(194,584)
Finance expenses	7	**(305,831)**	(283,661)
Finance income	8	**17,911**	28,365
Unrealised gain on change of fair value of embedded derivatives of convertible bonds	14	**—**	100,201
Loss on early redemption of convertible bonds	14	**(111,493)**	—
Share of loss of investments accounted for using the equity method		**(8,382)**	(189)
Profit before income tax		**141,426**	44,606
Income tax expense	9	**(87,013)**	(13,399)
Profit for the period		**54,413**	31,207
Profit attributable to:			
— Equity holders of the Company		**55,921**	31,371
— Non-controlling interests		**(1,508)**	(164)
		54,413	31,207
Other comprehensive income for the period, net of tax			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		**17,994**	13,136
Total comprehensive income for the period		**72,407**	44,343
Total comprehensive income attributable to:			
— Equity holders of the Company		**73,915**	44,507
— Non-controlling interests		**(1,508)**	(164)
		72,407	44,343

		Unaudited Six months ended 30 June	
		2017	2016
		RMB Cents per share	RMB Cents per share
Earnings per share for profit attributable to the ordinary shareholders of the Company during the period			
(expressed in RMB cents per share)			
— basic	*10(a)*	**2.1**	1.2
— diluted	*10(b)*	**2.1**	0.0
Earnings per share for profit attributable to the preference shares holders of the Company during the period			
(expressed in RMB cents per share)			
— basic	*10(a)*	**—**	1.2
— diluted	*10(b)*	**—**	0.0

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Note	**Unaudited 30 June 2017 *RMB'000***	Audited 31 December 2016 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**5,963,381**	6,043,254
Intangible assets		**4,121,463**	4,134,984
Land use rights		**888,172**	896,420
Deferred income tax assets		**95,703**	124,867
Investments accounted for using the equity method		**45,745**	45,259
Available-for-sale financial assets		**34,101**	—
Long-term receivable		**77,989**	77,909
Long-term prepayments		**51,744**	66,115
Total non-current assets		**11,278,298**	11,388,808
Current assets			
Inventories		**1,302,173**	1,216,958
Trade and other receivables	*12*	**4,323,763**	4,020,301
Available-for-sale financial assets		**385,638**	380,405
Restricted cash and short-term bank deposits		**585,000**	1,554,125
Cash and cash equivalents		**4,177,764**	1,896,351
Total current assets		**10,774,338**	9,068,140
Total assets		**22,052,636**	20,456,948
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**189**	189
Share premium		**8,883,182**	8,883,182
Other reserves		**398,933**	380,900
Retained earnings		**1,113,146**	1,057,225
		10,395,450	10,321,496
Non-controlling interests in equity		**138,802**	140,310
Total equity		**10,534,252**	10,461,806

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*15*	**23,423**	23,423
Borrowings	*13*	**2,998,864**	2,590,885
Deferred government grants		**26,306**	26,924
Deferred income tax liabilities		**8,341**	8,523
Total non-current liabilities		**3,056,934**	2,649,755
Current liabilities			
Trade and other payables	*15*	**2,764,268**	2,592,430
Convertible bonds	*14*	**—**	929,845
Taxation payable		**110,203**	110,216
Deferred revenue		**7,536**	9,311
Borrowings	*13*	**5,579,443**	3,703,585
Total current liabilities		**8,461,450**	7,345,387
Total liabilities		**11,518,384**	9,995,142
Total equity and liabilities		**22,052,636**	20,456,948

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For six months ended 30 June 2017

1. General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 30 August 2017.

Significant events and transactions

In March 2017, the Company redeemed all the convertible bonds due 30 April 2019 (the "**2019 Convertible Bonds**") with a principal amount of US$150,000,000, upon exercise of the redemption option by the bondholders. Further details are given in Note 14.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

- A FVOCI election is available for the equity instruments which are currently classified as AFS.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules have no impact on the Group as the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group is in the process of undertaking a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 Revenue from contracts with customers

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

Management has identified the following areas that are likely to be affected:

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

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

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

At this stage, the Group is not able to estimate the impact of the new standards on the Group's financial statements. The Group will make more detailed assessments of the impact in the second half of 2017.

(iii) IFRS 16, 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB18,550,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

The new standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

4. 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 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.

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	
	2017	2016
	RMB'000	*RMB'000*
100% juice products	**1,036,141**	892,455
Nectars	**770,570**	730,272
Juice drinks	**393,893**	461,120
Water and other beverage products	**601,062**	602,650
	2,801,666	2,686,497

The Group made barter sales of approximately RMB1,517,000 during the six months ended 30 June 2017 mainly in exchange for property, plant and equipment (corresponding period in 2016: RMB29,361,000).

5. Other income — net

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Government subsidy income	**21,922**	90,201
Net income from sales of materials and scrap	**7,008**	6,048
Amortisation of deferred government grants	**618**	667
Interest income from available-for-sale financial assets	**2,118**	4,532
Gain/(loss) on disposals of property, plant and equipment	**189**	(2,193)
Others	**(1,163)**	3,212
	30,692	102,467

6. Expenses by nature

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Raw materials used and changes in inventories	**1,204,491**	1,200,561
Advertising and other marketing expenses	**356,625**	458,259
Depreciation of property, plant and equipment	**228,688**	228,742
Employee benefit expense	**166,491**	277,732
Transportation and related charges	**123,518**	110,752
Water and electricity	**75,695**	101,304
City construction tax, property tax and other tax surcharges	**37,307**	44,567
Repairs and maintenance	**15,849**	20,085
Amortisation of intangible assets	**13,521**	11,420
Rental expenses	**10,678**	25,454
Amortisation of land use rights	**10,240**	10,884
Travelling expense	**9,659**	17,194
Office and communication expenses	**9,283**	8,378
Impairment loss of inventories	**5,380**	2,102
(Reversal of impairment loss)/impairment loss for trade and other receivables	**(28,042)**	54,809
Other expenses	**43,754**	16,831
Total cost of sales, selling and marketing expenses and administrative expenses	**2,283,137**	2,589,074

7. Finance expenses

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest expenses:		
— Bank and other borrowings	**96,282**	93,572
— Finance lease liabilities	**14,247**	9,149
— Convertible bonds *(Note 14(c))*	**29,262**	62,297
— Corporate bonds	**88,884**	21,057
Exchange loss (excluding convertible bonds)	**91,450**	105,020
Exchange loss on liability component of convertible bonds *(Note 14(c))*	**14,950**	16,577
Less: Interest and exchange loss capitalised	**(29,244)**	(24,011)
	305,831	283,661
Weighted average effective interest rates used to calculate capitalisation amount	**5.84%**	5.46%

8. Finance income

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest income from bank deposits	**17,911**	28,365

9. Income tax expense

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax — PRC enterprise income tax	**58,031**	14,843
Deferred income tax	**28,982**	(1,444)
	87,013	13,399

(a) Cayman Islands income tax

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

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

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

(c) Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong during the six months ended 30 June 2017 and 2016.

(d) According to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at rates of 5% or 10% upon the distribution of such profits to foreign investors based in or companies incorporated in Hong Kong, or for other foreign investors respectively. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the six months ended 30 June 2017 and 2016 since the Group plans to reinvest such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

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

10. Earnings per share

(a) Basic

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	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company		
Basic earnings attributable to ordinary shares	**55,921**	30,651
Basic earnings attributable to convertible preference shares	**—**	720
	55,921	31,371

	Unaudited Six months ended 30 June			
	Ordinary shares		Convertible preference shares	
	2017	2016	**2017**	2016
Weighted average number of shares outstanding for basic earnings per share *(thousands)*[(i)]	**2,671,719**	2,610,433	**—**	61,286

(i) On 30 March 2016, 125,326,877 convertible preference shares have been converted into 125,326,877 ordinary shares of the Company. During the six months ended 30 June 2017, there was no convertible preference shares outstanding.

	Unaudited Six months ended 30 June	
	2017	2016
Basic earnings per ordinary share *(RMB cents)*	**2.1**	1.2
Basic earnings per convertible preference share *(RMB cents)*	**—**	1.2

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares and convertible preference shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under 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	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**55,921**	31,371
Add: Interest expense relating to the 2019 Convertible Bonds	**—***	53,368
Add: Unrealised exchange loss relating to the 2019 Convertible Bonds	**—***	16,577
Add: Loss on early redemption of 2019 Convertible Bonds	**—***	—
Less: Fair value change in the embedded derivatives of the 2019 Convertible Bonds (including amortisation of deferred loss)	**—***	(100,201)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**55,921**	1,115
Diluted earnings attributable to ordinary shares	**55,921**	1,091
Diluted earnings attributable to convertible preference shares	**—**	24
	55,921	1,115

	Unaudited Six months ended 30 June			
	Ordinary shares		**Convertible preference shares**	
	2017	2016	**2017**	2016
Weighted average number of shares outstanding for basic earnings per share *(thousands)*	**2,671,719**	2,610,433	**—**	61,286
Adjustment for the 2019 Convertible Bonds *(thousands)*	**—***	219,980	**—**	—
Weighted average number of shares outstanding for diluted earnings per share *(thousands)*	**2,671,719**	2,830,413	**—**	61,286

	Unaudited Six months ended 30 June	
	2017	2016
Diluted earnings per ordinary share *(RMB cents)*	**2.1**	0.0
Diluted earnings per convertible preference share *(RMB cents)*	**—**	0.0

* During the six months ended 30 June 2017, the impacts of interest expense and loss on early redemption of the 2019 Convertible Bonds are antidilutive and have therefore been excluded from the calculation of diluted earnings per share.

For the purpose of calculating diluted earnings per share for the six months ended 30 June 2017 and 2016:

a) The 2016 Convertible Bonds are assumed to have been converted into ordinary shares and adjusted for the impact of interest expense of, unrealised exchange gain of and fair value changes of embedded derivatives of the 2016 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted earnings per share for the six months ended 30 June 2017 and 2016;

b) The 2019 Convertible Bonds are assumed to have been converted into ordinary shares and adjusted for the impact of interest expense of, loss on early redemption of, unrealised exchange loss of and fair value changes of embedded derivatives of the 2019 Convertible Bonds. This potential adjustment results in an anti-dilutive effect in the calculation of diluted earnings per share for the six months ended 30 June 2017 and is dilutive for the six months ended 30 June 2016;

c) 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 results in an anti-dilutive effect in the calculation of diluted earnings per share for the six months ended 30 June 2017 and 2016.

11. Dividends

The board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2017 (corresponding period in 2016: nil).

12. Trade and other receivables

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Trade receivables *(a)*	**3,433,552**	3,031,227
Related parties	**73,775**	72,079
Third parties	**3,555,652**	3,183,891
Less: Provision for impairment of trade receivables	**(195,875)**	(224,743)
Bills receivable — third parties	**21,397**	17,970
Prepayments of raw materials and others	**458,853**	277,337
Related parties	**106,864**	96,854
Third parties	**351,989**	180,483
Deductible value added tax — input balance	**77,448**	71,547
Other receivables	**332,513**	622,220
Related parties	**—**	27,178
Third parties	**341,119**	602,822
Less: Provision for impairment of other receivables	**(8,606)**	(7,780)
	4,323,763	4,020,301

(a) Certain customers of the Group, including selected distributors, supermarkets and OEM customers, are granted credit terms as agreed in sales contracts. The majority of 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 2017 and 31 December 2016, the ageing analysis of trade receivables was as follows:

— Third parties

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 3 months	**1,323,830**	1,492,202
Between 4 and 6 months	**318,990**	174,853
Between 7 and 12 months	**1,091,313**	1,127,218
Between 1 and 2 years	**748,307**	326,906
Over 2 years	**73,212**	62,712
	3,555,652	3,183,891

— Related parties

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 3 months	**30,150**	58,023
Between 4 and 6 months	**25,989**	14,056
Between 7 and 12 months	**17,636**	—
	73,775	72,079

As at 30 June 2017, trade receivables of RMB179,570,000 (2016: RMB189,295,000) were past due and fully provided for provision. Trade receivables of RMB638,621,000 (2016: RMB200,323,000) were past due but not impaired, since management considered that they have no collectability risks or they were collected subsequent to the balance sheet date. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations.

13. Borrowings

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Non-current		
Bank borrowings *(a)*	**1,220,258**	942,183
Corporate bonds *(b)*	**1,543,921**	1,464,629
Finance lease liabilities	**154,297**	184,073
Other borrowings	**80,388**	—
	2,998,864	2,590,885
Current		
Bank borrowings *(a)*	**2,385,928**	1,606,134
Corporate bonds *(b)*	**2,006,164**	2,034,958
Finance lease liabilities	**63,281**	62,493
Other borrowings	**1,124,070**	—
	5,579,443	3,703,585
Total borrowings	**8,578,307**	6,294,470

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Secured	**1,204,458**	166,488
Unsecured	**7,373,849**	6,127,982
	8,578,307	6,294,470

As at 30 June 2017, secured borrowings included:

(1) borrowings of RMB1,030,000,000 resulting from an asset securitisation arrangement. Under the arrangement, the Group transferred certain trade receivables of RMB1,030,000,000 to a third party trust company for an upfront cash consideration of the same amount. This transaction does not meet IAS 39 requirements for asset derecognition, since the risks and rewards of the trade receivables have not been substantially transferred to the trust company. Accordingly, the transaction is treated as a financing arrangement with both the trade receivables and the corresponding short-term borrowings of RMB1,030,000,000 recorded on the interim condensed consolidated balance sheet as at 30 June 2017,

(2) borrowings of RMB174,458,000 secured by property, plant and equipment with carrying amount of RMB230,282,000.

As at 31 December 2016, borrowings of RMB166,488,000 were secured by restricted cash of RMB200,000,000.

(a) Bank borrowings

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

	Unaudited 30 June 2017	Audited 31 December 2016
Bank borrowings	**3.80%**	3.93%

(b) Corporate bonds

	Unaudited 30 June 2017 ***RMB'000***	Audited 31 December 2016 *RMB'000*
The 2018 Bonds *(i)*	**1,543,921**	1,464,629
The 2019 Bonds *(ii)*	**2,006,164**	2,034,958
	3,550,085	3,499,587

(i) The 2018 Bonds

On 7 July 2015, the Company issued credit enhanced bonds due 7 July 2018 (the "**2018 Bonds**"), with the benefit of an irrevocable Standby Letter of Credit provided by Agricultural Bank of China Limited New York Branch, in an aggregate principal amount of EUR200,000,000 and raised a net proceeds of EUR197,935,000 (equivalent to approximately RMB1,341,405,000). The 2018 Bonds bear interest rate at 1.55% per annum.

The movements in the 2018 Bonds for the six months ended 30 June 2017 and 2016 are as follows:

	Unaudited ***RMB'000***
Six months ended 30 June 2017	
As at 1 January 2017	**1,464,629**
Interest expenses	**14,078**
Interest paid	**(24,024)**
Effect of change in exchange rate	**89,238**
As at 30 June 2017	**1,543,921**
Six months ended 30 June 2016	
As at 1 January 2016	1,417,377
Interest expenses	13,714
Effect of change in exchange rate	55,988
As at 30 June 2016	1,487,079

The face value of the 2018 Bonds as at 30 June 2017 is EUR200,000,000 (equivalent to approximately RMB1,549,920,000) (at 31 December 2016: EUR200,000,000 and equivalent to approximately RMB1,461,360,000). The carrying value of the 2018 Bonds is calculated using cash flows discounted at an effective interest rate of 1.91% per annum.

(ii) The 2019 Bonds

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

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

The movements in the 2019 Bonds for the six months ended 30 June 2017 and 2016 are as follows:

	RMB'000
Six months ended 30 June 2017	
As at 1 January 2017	**2,034,958**
Interest expenses	**74,806**
Redemption of corporate bonds	**(58,000)**
Interest paid	**(45,600)**
As at 30 June 2017	**2,006,164**
Six months ended 30 June 2016	
Face value of the 2019 Bonds issued on 5 May 2015	600,000
Issuing expenses	(7,343)
Net proceeds for the issuance of the 2019 Bonds	592,657
Interest expenses	7,343
As at 30 June 2016	600,000

The face value of the 2019 Bonds as at 30 June 2017 is RMB1,942,000,000 (as at 31 December 2016: RMB2,000,000,000). The carrying value of the 2019 Bonds is calculated using cash flows discounted at an effective interest rates from 7.16% to 7.97% per annum.

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

As at 30 June 2017, the 2019 Bonds have been classified as current liabilities due to the redemption option of the bondholders at the respective anniversary of the date of issuance.

14. Convertible bonds

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Current		
The 2016 Convertible Bonds *(a)*	—	—
The 2019 Convertible Bonds *(b)*	—	929,845
	—	929,845

(a) The 2016 Convertible Bonds

On 29 April 2011, the Company issued an aggregate of US$150,000,000 convertible bonds due 29 April 2016. (the"**2016 Convertible Bonds**").

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

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

As at 30 June 2017, there was no 2016 Convertible Bonds outstanding.

(b) The 2019 Convertible Bonds

On 31 March 2014, the Company issued an aggregate of US$150,000,000 convertible bonds due 30 April 2019 (the "**2019 Convertible Bonds**"). The major terms and conditions of the 2019 Convertible Bonds are the same as those described in the annual financial statements for the year ended 31 December 2016.

In March 2017, the Company redeemed an aggregate principal amount of US$150,000,000 of the 2019 Convertible Bonds upon exercise of the redemption option by the bondholders. The difference of RMB111,493,000 between the consideration of US$154,500,000 (103% of US$150,000,000, equivalent to approximately RMB1,064,873,000) and the convertible bonds derecognised of RMB953,380,000 has been recognised as "loss on early redemption of convertible bonds" in the consolidated statement of comprehensive income for the six months ended 30 June 2017.

The related interest expense of the liability component of the 2019 Convertible Bonds for the six months ended 30 June 2017 amounted to RMB29,262,000 (corresponding period in 2016: RMB53,368,000), which was calculated using the effective interest method with an effective interest rate of 13.95%.

As at 30 June 2017, there was no 2019 Convertible Bonds outstanding.

(c) The movements in the components of the 2016 Convertible Bonds and the 2019 Convertible Bonds during the six months ended 30 June 2017 and 2016 are set out below:

	The 2016 Convertible Bonds			The 2019 Convertible Bonds			
	Liability component	**Embedded derivatives**	**Subtotal**	**Liability component**	**Embedded derivatives**	**Subtotal**	**Total convertible bonds**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2017							
As at 1 January 2017	**—**	**—**	**—**	**888,750**	**41,095**	**929,845**	**929,845**
Interest expense	**—**	**—**	**—**	**29,262**	**—**	**29,262**	**29,262**
Interest paid	**—**	**—**	**—**	**(20,677)**	**—**	**(20,677)**	**(20,677)**
Redemption of convertible bonds	**—**	**—**	**—**	**(912,285)**	**(41,095)**	**(953,380)**	**(953,380)**
Effect of change in exchange rate	**—**	**—**	**—**	**14,950**	**—**	**14,950**	**14,950**
As at 30 June 2017	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Six months ended 30 June 2016							
As at 1 January 2016	219,536	—	219,536	803,271	103,725	906,996	1,126,532
Change in fair value of embedded derivatives	—	—	—	—	(108,850)	(108,850)	(108,850)
Amortisation of deferred loss on embedded derivatives	—	—	—	—	8,649	8,649	8,649
Redemption of convertible bonds	(224,225)	—	(224,225)	—	—	—	(224,225)
Interest expense	8,929	—	8,929	53,368	—	53,368	62,297
Interest paid	(4,240)	—	(4,240)	(58,474)	—	(58,474)	(62,714)
Effect of change in exchange rate	—	—	—	16,577	—	16,577	16,577
As at 30 June 2016	—	—	—	814,742	3,524	818,266	818,266

15. Trade and other payables

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Trade payables *(a)*	**1,670,226**	1,650,375
Related parties	**63,576**	87,759
Third parties	**1,606,650**	1,562,616
Other payables	**1,117,465**	965,478
Related parties	**17,399**	2,340
Third parties	**1,100,066**	963,138
	2,787,691	2,615,853

	Unaudited 30 June 2017	Audited 31 December 2016
	RMB'000	*RMB'000*
Trade and other payables		
Non-current	**23,423**	23,423
Current	**2,764,268**	2,592,430
	2,787,691	2,615,853

(a) Details of ageing analysis of trade payables was as follows:

— Third parties

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 3 months	**1,559,974**	1,459,427
Between 4 and 6 months	**27,942**	48,761
Between 7 and 12 months	**3,490**	39,182
Between 1 and 2 years	**9,699**	11,570
Over 2 years	**5,545**	3,676
	1,606,650	1,562,616

— Related parties

	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Within 3 months	**51,292**	69,864
Between 4 and 6 months	**3,354**	10,780
Between 7 and 12 months	**2,655**	1,779
Between 1 and 2 years	**3,732**	3,572
Over 2 years	**2,543**	1,764
	63,576	87,759

16. Contingent liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

17. Events after the balance sheet date

On 16 August 2017, the Company completed the issuance of senior notes due 16 August 2020 (the "**2020 Bonds**"), in an aggregate principal amount of US$150,000,000 and raised a net proceeds of US$146,000,000 (equivalent to approximately RMB974,973,400). The 2020 Bonds bear interest rate at 6.5% per annum.

On 18 August 2017, the Company repaid bank borrowings due 2018 in an aggregate amount of US$131,000,000.

On 29 August 2017, the Company paid RMB623,531,000 (including an aggregate principal amount of RMB580,000,000 and the respective accrued interests) for the partial redemption of the 2019 Bonds, which will take effect on 31 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first half of 2017, under the combined action of further advancement in innovative reforms as well as the continuous effects of macroeconomic policies, the Chinese national economy has continuously maintained a growth momentum featuring stability, progression and prosperity in general; the economic structure continued to optimize due to the progress of supply-side structural reformation and industrial structure optimization. In the first half of 2017, China recorded RMB38,149 billion in GDP, representing a year-on-year growth of 6.9%, in terms of comparable prices. Total retail sales of social consumer goods were RMB17,236.9 billion, with a year-on-year growth of 10.4%. National per capita disposable income was RMB12,932, with a nominal year-on-year growth of 8.8%; net of the price factors, the real growth was 7.3%. National per capita consumption expenditure was RMB8,834, with a nominal year-on-year growth of 7.6%; net of the price factors, the real growth was 6.1%. The contribution of final consumption expenditure to GDP growth was 63.4%, remaining as the dominant driving force of economic growth. Overall, since the beginning of this year, the Chinese economy has been growing steadily, the per capita disposable income and consumption expenditure has recorded considerable increase.

According to Nielsen, in the first half of 2017, the overall sales of beverage industry increased by 9.0% while the sales of fruit juice industry increased by 1.2% year-on-year. Amongst these sales, 100% juice recorded a year-on-year growth of 27.1%, nectar having 26–99% concentration recorded a growth of 11.3% year-on-year, juice drinks having 0–25% concentration recorded a year-on-year negative growth of -7.4%. The year-on-year drop in the sales of juice drinks was attributable to factors such as the lack of innovative products and the unhealthy artificial ingredients associated with the product genre; but 100% juice and nectar have maintained steady growth. This fully illustrated that the healthy concept awareness of consumers is driving an acceleration of juice products consumption evolution.

For the first half of 2017	Market Share By Volume (%)	Market Share By Value (%)
100% Juice		
Huiyuan Juice	45.8	37.5
Second ranked competitor	28.1	33.1
Third ranked competitor	6.8	8.4
Fourth ranked competitor	3.8	3.3
Fifth ranked competitor	1.6	0.9
26%–99% Concentration(Note 1)		
Huiyuan Juice	35.3	25.4
Second ranked competitor	24.4	19.0
Third ranked competitor	7.1	8.2
Fourth ranked competitor	3.0	4.2
Fifth ranked competitor	2.7	4.8
25% & Below Concentration		
First ranked competitor	38.2	37.3
Second ranked competitor	21.2	17.6
Third ranked competitor	18.3	17.9
Fourth ranked competitor	5.3	8.2
Fifth ranked competitor	4.2	4.0
Huiyuan Juice	2.1	1.9

Notes:

(1) According to Nielsen, nectars are defined as juice beverages with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% or below.

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

BUSINESS REVIEW

Overview

As the leading fruit and vegetable juice manufacturer in China, during the first half of 2017, we continued to concentrate on our core business, consolidating our position as a leader in the 100% juice market. As the juice consumption level in China and the purchase power of young customers improve, the Company is dedicated to take its products to the next level. Our R&D is focused on developing new products that are higher end, trendier, and more convenient to consume; while upgrading our existing products. Our marketing made use of the new media platforms to complement our traditional media channels. Our sales have now a hybrid system combining both direct sales and distributor networks, online as well as offline distribution channels. Our goal is to build a nationwide click and mortar sales network that covers both traditional channels and modern ones. And through these networks, we will continue to boost our brand's influence. The management of our production was also improved. Quality is always our first priority, on top of which, by utilizing more advanced technology such as informationization, we have further lowered our manufacturing costs. By taking these measures, we have again achieved growth in our core business, improved our margins, and reported significantly better cash flow in the first half of 2017.

In the six months ended 30 June 2017, the Group recorded revenue of RMB2,801.7 million, representing an increase of 4.3% from RMB2,686.5 million for the six months ended 30 June 2016. Profit attributable to equity holders of the Company was RMB55.9 million as compared to RMB31.4 million for the corresponding period in 2016.

FINANCIAL REVIEW

Overview

In the six months ended 30 June 2017, the Group recorded revenue of RMB2,801.7 million, an increase of 4.3% from RMB2,686.5 million for the six months ended 30 June 2016. Profit attributable to equity holders of the Company was RMB55.9 million as compared to RMB31.4 million for the corresponding period in 2016.

Revenue

Revenue of the Group's products, comprising 100% juice, nectars, juice drinks and other beverage products increased by 4.3% from RMB2,686.5 million in the first half of 2016 to RMB2,801.7 million in the first half of 2017.

Revenue of 100% juice, which accounted for 37.0% of the Group's total revenue, increased by 16.1% from RMB892.5 million in the first half of 2016 to RMB1,036.1 million in the first half of 2017. Sales volume for the period increased by 2.9% as compared to the corresponding period last year and average selling price increased by 12.8%.

Revenue of nectars, which accounted for 27.5% of the Group's total revenue, increased by 5.5% from RMB730.3 million in the first half of 2016 to RMB770.6 million in the first half of 2017. Sales volume for the period increased by 6.1% as compared to the corresponding period last year while average selling price decreased by 0.5%.

Revenue of juice drinks, which accounted for 14.1% of the Group's total revenue, decreased by 14.6% from RMB461.1 million in the first half of 2016 to RMB393.9 million in the first half of 2017. Sales volume for the period decreased by 9.1% as compared to the corresponding period last year and average selling price decreased by 6.1%.

The revenue of other beverage products decreased by 0.3% from RMB602.7 million in the first half of 2016 to RMB601.1 million in the first half of 2017.

Cost of Sales

Cost of sales decreased by 1.6% from RMB1,612.0 million for the six months ended 30 June 2016 to RMB1,586.4 million for the six months ended 30 June 2017. The decrease in cost of sales was mainly attributable to the continued effort in enhancing our production management, our cost of sales has dropped through measures like centralised production scheduling and wastage control.

Gross Profit

Gross profit increased by 13.1% from RMB1,074.5 million for the six months ended 30 June 2016 to RMB1,215.3 million for the six months ended 30 June 2017. Gross profit margin increased 3.4 percentage points from 40.0% for the six months ended 30 June 2016 to 43.4% for the corresponding period in 2017. Gross profit margin increased primarily because of the optimization of the product sales.

Other Income

Other income decreased by 70.0% from RMB102.5 million for the six months ended 30 June 2016 to RMB30.7 million for the corresponding period in 2017. Other income consists primarily of income from the sales of raw materials and scrap and government subsidy income. Other income decreased primarily due to the decrease in government subsidy income of RMB68.3 million.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 26.2% from RMB782.5 million for the six months ended 30 June 2016 to RMB577.4 million for the corresponding period in 2017, due to the decrease in marketing expenses and employee benefit expenses.

Administrative Expenses

Administrative expenses decreased by 38.6% from RMB194.6 million for the six months ended 30 June 2016 to RMB119.4 million for the corresponding period in 2017. The decrease in administrative expenses was mainly due to the decrease of impairment loss for trade and other receivables, amortisation of land use rights and employee benefit expenses. Administrative expenses as a percentage of revenue have decreased from 7.2% for the six months ended 30 June 2016 to 4.3% for the six months ended 30 June 2017.

Finance Income/Expenses

The Group recorded a net finance expenses of RMB287.9 million for the six months ended 30 June 2017 as compared to RMB255.3 million for the corresponding period in 2016.

Income Tax Expenses

In the first half of 2017, the Company recorded an income tax expense of RMB87.0 million compared to RMB13.4 million for the corresponding period in 2016. The increase in income tax expense was mainly due to the increase in profit before income tax of the Company's subsidiaries.

Profit Attributable to Equity Holders of the Company

The Group recorded a profit attributable to equity holders of the Company of RMB55.9 million for the six months ended 30 June 2017 as compared with RMB31.4 million for the corresponding period in 2016. The adjusted profit attributable to equity holders of the Company for the six months ended 30 June 2017 was RMB297.0 million as compared with RMB115.2 million for the corresponding period in 2016.

Liquidity and Capital Resources

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

As at 30 June 2017, the Group had an aggregate of RMB8,578.3 million in outstanding borrowings (including corporate bonds and finance lease liabilities) as compared to RMB6,294.5 million in outstanding borrowings (including corporate bonds and finance lease liabilities) and RMB929.8 million in outstanding convertible bonds as at 31 December 2016. The gearing ratio calculated by dividing total borrowings (including convertible bond if applicable) over total equity attributable to equity holders of the Company. As at 30 June 2017, the gearing ratio was 82.5%. As at 31 December 2016, the gearing ratio was 70.0% (including convertible bonds) and 61.0% (excluding convertible bonds), respectively.

The Group's borrowings primarily include bank borrowings, corporate bonds, finance lease liabilities and other borrowings. As at 30 June 2017, the Group had the following indebtedness:

	Repayable within one year *(RMB in million)*	**Repayable after one year** *(RMB in million)*	**Total** *(RMB in million)*
Bank borrowings	2,385.9	1,220.3	3,606.2
Corporate bonds	2,006.1	1,543.9	3,550.0
Finance lease liabilities	63.3	154.3	217.6
Other borrowings	1,124.1	80.4	1,204.5
Total	5,579.4	2,998.9	8,578.3
Analysed as:			
Unsecured	4,455.3	2,918.5	7,373.8
Secured	1,124.1	80.4	1,204.5
Total	5,579.4	2,998.9	8,578.3

Operating activities

Net cash generated from operating activities was RMB140.7 million in the first six months of 2017. The Group's profit before income tax for the corresponding period was RMB141.4 million. The difference of RMB0.7 million was primarily due to the depreciation of property, plant and equipment of RMB228.7 million, loss from early redemption of convertible bonds of RMB111.5 million and exchange loss of RMB106.4 million, which was partially offset by the increase of trade and other receivables of RMB464.1 million.

Investing activities

Net cash generated from investing activities for the first six months of 2017 was RMB1,037.5 million as compared to net cash used in investing activities of RMB1,078.2 million for the corresponding period in 2016. The net cash inflows for the six months ended 30 June 2017 are mainly due to the net decrease in restricted cash and short-term bank deposits of RMB969.1 million and consideration received in relation to the disposal of sale offices in 2016 which amounted to RMB190.3 million.

Financing activities

Net cash generated from financing activities for the first six months of 2017 was RMB1,098.1 million as compared to RMB340.3 million for the corresponding period in 2016.

Capital Expenditure

Capital expenditures primarily comprised purchase of property, plant and equipment and land use rights. The Group's total capital expenditures during the first half of 2017 decreased significantly compared to the corresponding period in 2016. During the first half of 2017, the Group spent RMB115.3 million on the purchase of property, plant and equipment and RMB2.0 million on the purchase of land use rights.

As at 30 June 2017, the Group had capital commitments of RMB20.6 million for the purchase of property, plant and equipment.

The Group plans to finance its capital expenditure requirements in the second half of 2017 primarily with cash generated from its operations as well as borrowings.

Analysis on Turnover of Inventories and Trade Receivables

The Group's inventories primarily consist of raw materials (including packaging materials, juice concentrates, purees and sugars) and finished goods (including juice and other beverage products). Raw materials make up the majority of the Group's inventories. Turnover days for raw materials increased from 112 days during the six months ended 30 June 2016 to 114 days during the six months ended 30 June 2017, and turnover days for finished goods decreased from 29 days during the six months ended 30 June 2016 to 21 days during the six months ended 30 June 2017.

Turnover days for trade receivables increased to 187 days during the six months ended 30 June 2017 from 138 days during the six months ended 30 June 2016.

Contingent liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

Off-Balance Sheet Transactions

As at 30 June 2017, the Group had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 30 June 2017, property, plant, equipment with carrying amount of RMB230.3 million were pledged to secure certain borrowings. In addition, trade receivables of the Group with carrying amount of RMB1,030.0 million were held by a trust company under an asset securitisation arrangement.

Capital Leases

As at 30 June 2017, the Group has certain finance lease arrangements on property, plant and equipment with third parties. As at 30 June 2017, the Group had finance lease liabilities with present value of RMB217.6 million and undiscounted contractual amount of RMB246.6 million, respectively.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Company had no major investments, acquisitions and disposals.

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 date, substantially all of the Group's borrowings were carried at market lending rates.

Foreign Exchange Rate Risk

The Group's production depends on importation of certain raw materials and equipment, and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to United States Dollar ("**USD**") and Euro ("**EUR**"). The Group is also exposed to foreign currency exchange risk arising from the bank deposits, available-for-sale financial assets, convertible bonds and borrowings (including corporate bonds and finance lease liabilities) denominated in USD and EUR. The Group did not use forward contract/derivative instruments during the six months ended 30 June 2017 but may use them from time to time to hedge against certain material foreign exchange exposures.

As at 30 June 2017, if RMB strengthened/weakened by 5% against USD with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2017 would have been increased/decreased by RMB97,187,000 (30 June 2016: RMB144,238,000), mainly due to the foreign exchange gains/losses on retranslation of borrowings (including finance lease liabilities) denominated in USD.

As at 30 June 2017, if RMB strengthened/weakened by 5% against EUR with all other variables remaining unchanged, the Group's post-tax profit for the six months ended 30 June 2017 would have been increased/decreased by RMB131,832,000 (30 June 2016: RMB69,413,000), mainly due to the foreign exchange gains/losses on retranslation of borrowings (including corporate bonds) denominated in EUR.

EMPLOYEES AND WELFARE CONTRIBUTION

As at 30 June 2017, the Group had 3,965 employees (31 December 2016: 4,266 employees). The emolument policy of the employees of the Group is determined by the Board on the basis of merit, qualifications and competence.

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

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

FUTURE PROSPECTS

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

In the second half of 2017, the Company will continue to focus on the core operating business to maintain its dominant position in markets of both 100% juice and nectars. The Company places a keen focus on future profitability. As the demographics of consumers and their preferences change, we want to make our brand more attractive to young consumers and maximise shareholder value by optimising product portfolio, polishing production procedures, integrating information technologies into our management, and introducing more innovations to our marketing.

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 Corporate Governance Code Contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain and improve a high standard of corporate governance practices. The Company has complied with all Code Provisions for the six months ended 30 June 2017.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, the Company redeemed an aggregate principal amount of US$150.0 million of the convertible bonds due 2019 (the "**2019 Convertible Bonds**"). As at the date of this announcement, there was no 2019 Convertible Bonds outstanding.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six-month period ended 30 June 2017.

REVIEW OF FINANCIAL INFORMATION

The Financial Management and Audit Committee of the Board has discussed with management and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2017 and recommended its adoption by the Board. 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 2017 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 that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By order of the Board
CHINA HUIYUAN JUICE GROUP LIMITED
ZHU Xinli
Chairman

Beijing, 30 August 2017

As at the date of this announcement, the directors of the Company are Mr. ZHU Xinli, Ms. ZHU Shengqin and Mr. CUI Xianguo as executive directors, Mr. Andrew Y. YAN as a non-executive director, Ms. ZHAO Yali, Mr. SONG Quanhou, Mr. LEUNG Man Kit and Mr. WANG Wei as independent non-executive directors.

* *For identification purposes only*