HAISHENG

China Haisheng Juice Holdings Co., Ltd.
中國海升果汁控股有限公司

Stock Code: 359

2007
Annual Report

Our Vision & Strategy

- Be a Great Person
- Be a Great Enterprise
- Create Great Products

Contents

Corporate Information

Stock Code

359

Executive Directors:

Mr. Gao Liang *(Chairman)*
Mr. Liang Yi
Mr. You Yong
Ms. Zhu Fang

Independent non-executive directors:

Mr. Li Yuanrui (appointed on 19 January 2007)
Mr. Yim Hing Wah
Mr. Zhao Boxiang

Mr. Li Yuanrui was appointed as an independent non-executive director of the Company, a member of the audit committee and a member of the remuneration committee of the Company with effect from 19 January 2007.

Company Secretary

Mr. Terence Sin Yuen Ko, *FCCA*

Qualified Accountant

Mr. Terence Sin Yuen Ko, *FCCA*

Authorised Representatives

Mr. Gao Liang
No. 3, Model A
Fengye Yuan
Yanta District
Xi'an
Shaanxi Province
The PRC

Mr. Terence Sin Yuen Ko, *FCCA*
11/F, Ka Wah Bank Centre
232 Des Voeux Road Central
Hong Kong

Audit Committee Members

Mr. Yim Hing Wah *(Chairman)*
Mr. Zhao Boxiang
Mr. Li Yuanrui (appointed on 19 January 2007)

Remuneration Committee Members

Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui (appointed on 19 January 2007)
Mr. Yim Hing Wah

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 1608, 16th Floor
Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

Website Address

www.chinahaisheng.com

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Agriculture Bank of China
Ren Min Road Branch
54 West Ren Min Road
Xian Yang, Shaanxi Province
The PRC

Industrial and Commerce Bank of China
Zhong Lou Branch
12 Nan Avenue
Xi'an, Shaanxi Province
The PRC

The Export-Import Bank of China
Shaanxi Branch,
2 Gaoxin Street
Xi'an, Shaanxi Province,
The PRC

China Merchants Bank, Cheng
Nan Branch
178 Han Guang South Road
Xi'an, Shaanxi Province
The PRC

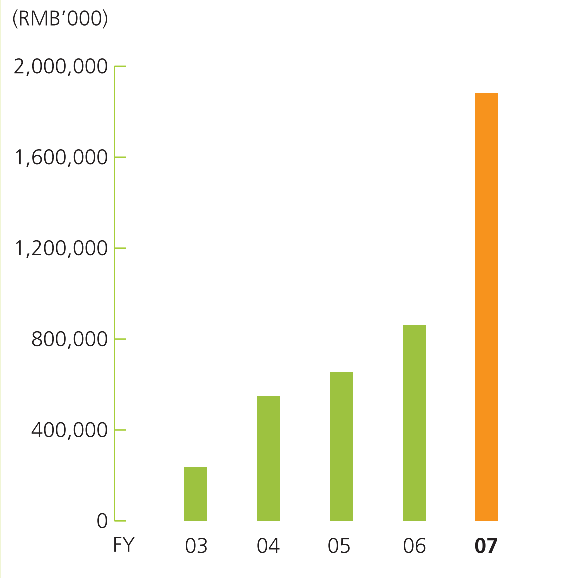
Bank of East Asia Limited
22nd Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Hong Kong

Financial Highlights

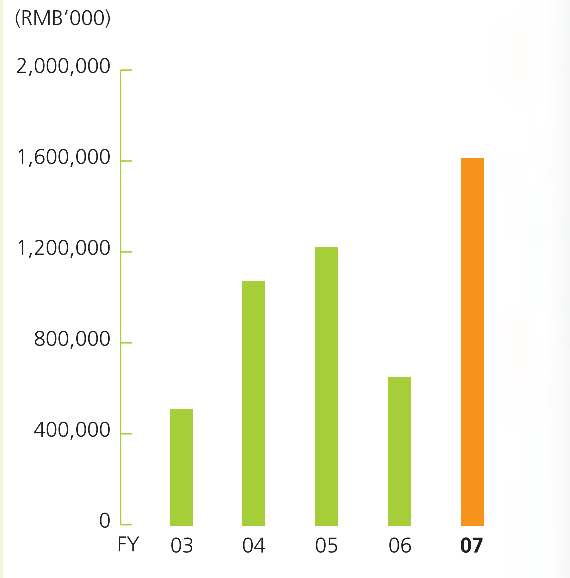
	As at 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,406,140**	961,574	900,402	493,999	268,953
Net-current assets/(liabilities)	**70,932**	(180,086)	47,791	(147,124)	68,599
Non-current liabilities	**(600,369)**	(60,880)	(263,402)	(145,487)	(159,355)
	876,703	720,608	684,791	201,388	178,197
Share capital	**12,715**	12,715	12,715	—	—
Reserves	**844,103**	706,201	670,542	200,506	177,429
Equity attributable to the equity holders of the parent	**856,818**	718,916	683,257	200,506	177,429
Minority interests	**19,885**	1,692	1,534	882	768
Total equity	**876,703**	720,608	684,791	201,388	178,197

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Turnover	**1,881,568**	863,675	653,953	550,323	238,164
Profit before taxation	**183,902**	67,225	123,623	108,471	51,841
Income tax expense	**(20,544)**	(1,195)	(281)	—	—
Profit for the year	**163,358**	66,030	123,342	108,471	51,841
Profit attributable to equity holders of the parent	**161,871**	65,754	122,690	107,961	51,597
Minority interests	**1,487**	276	652	510	244
	163,358	66,030	123,342	108,471	51,841

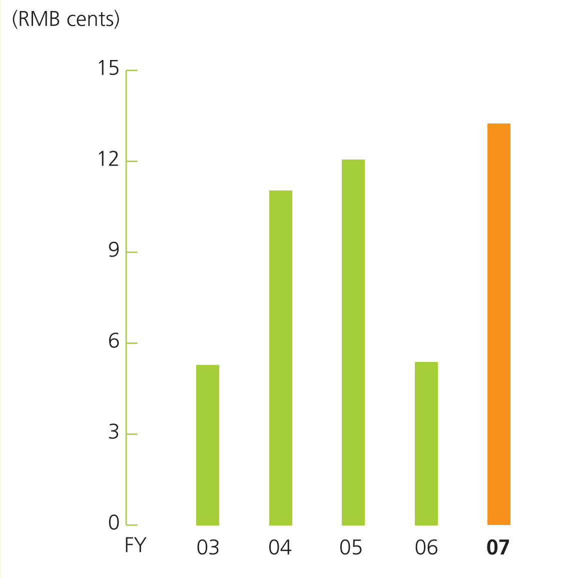
Turnover
for the year ended 31 December



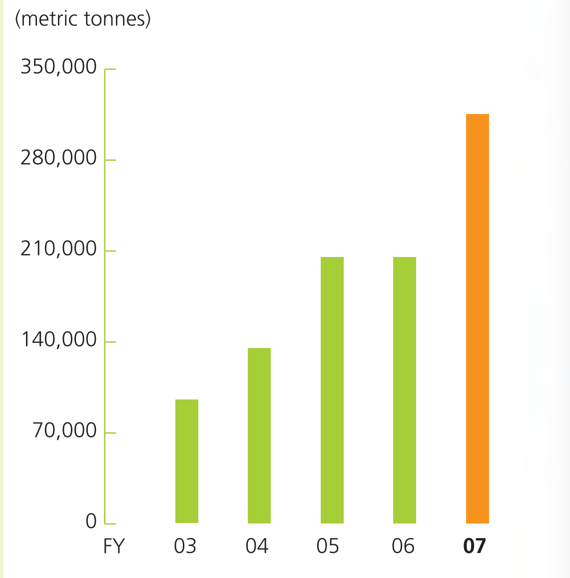
Profit Attributable to Equity Holders of the Parent
for the year ended 31 December



Basic Earnings per share
for the year ended 31 December



Production Capacity of Juice Concentrate



High Quality Low Cost

Chairman's Statement

On behalf of the board ("Board") of directors ("Directors") of China Haisheng Juice Holdings Co., Ltd ("Company"), I hereby present to our shareholders the report of our results for 2007.

Review of Results and Dividends

Under the continual efforts of the Company as a whole, the Group has achieved robust growth in 2007. For the financial year ended 31 December 2007, the Group's turnover was RMB1,881.6 million (2006: RMB863.7 million), representing an increase of 117.9% over last year; our profit attributable to equity holders of the parent was RMB161.9 million (2006: RMB65.8 million), representing a significant increase of 146.0% over last year. Basic earnings per share amounted to RMB13.24 cents (2006: RMB5.38 cents), representing an increase of 146.1% over last year.

The Board resolved to recommend the payment of a final dividend of RMB0.02 per ordinary share for the year 2007, so as to reward the long-term support of the shareholders.

Business Review

The Group has established two factories in Lingbao, Hennan and Dangshan, Anhui with an annual production capacity of 50,000 tons each in 2007. The two factories were put into production in September 2007. The Group has also established a production facility for a variety of products with an annual production capacity of 10,000 tons in Dalian with Kataoka Co., Ltd., Japan, enabling the Group to produce strawberry juice concentrate, peach juice concentrate, carrot juice concentrate and cloudy apple juice concentrate. The above production line has commenced operation in the end of 2007. The Group has further consolidated its competitive advantages of high utilization rate of production capacity and low fruit consumption rate in the 2007 pressing season. Through these efforts, the Group has effectively managed the cost of production under the pressure of increasing price of raw material. In 2007, the Group maintained its remarkable sales performance and was in a leading position in the industry. The global market share of the Group has a significant increase in 2007.

During the year under review, the Group further strengthened its management in production and procurement and technical innovation. The aggregate production capacity of the Group was increased and resulted in the significant increment in the production volume of the Company.

In 2007, the Group maintained remarkable sales performance. The Group's percentage of sales in North America has increased to 51.2%. The increase was attributable to the ideal selling price and the strong demand of the Group's product in North America which become the largest market of the Group. For the period under review, the market share of the Group in North America and Europe was in a leading position of the industry. The Group has been making efforts in expanding emerging markets such as Middle East and South Asia. Our presence in the market in South Africa, which was firstly developed in 2006, has been further consolidated. In 2007, the Group has also noticed the demand for juice from developing countries and the Chinese domestic market. The sales of the Group was increased by 117.9% in 2007 and which was attributable to the increase in both sales volume and selling price.

During the year under review, the Company aggressively carried out certain measures to tackle with the appreciation of RMB, such as increasing bank loans denominated in US Dollar so as to change the capital structure, increasing the portion of euro in settling sales in Europe, shortening the credit period of receivables and increasing the portion of prepayments, including terms on the price linked to the fluctuation of exchange rate in the sales contracts, utilizing financial tools.

During the period under review, the remuneration and performance management established by both Hewitt Associates Consulting Co., Ltd. ("Hewitt") and the Group ran smoothly and largely increased the managerial efficiency of the Group.

Future Prospect

The year of 2007 is a year of significance. The production capability of the Company increased to 315,000 tons from 205,000 tons upon the completion of the three new factories. It laid down the foundation for the Group to further increase its global market share and accelerates developments for various types of fruit juice. The Group has already become the largest international provider of clear apple juice concentrate, and main provider of pear juice concentrate and apple aroma.

The year of 2008 will be a year full of opportunities and challenges. In order to increase its competitive edge and market share, the Group will increase its production volume according to the demand for our products from international market in 2008/2009 pressing season. We will continue to carry out standardized production for apple aroma and strive to expand the sales of apple aroma sales market. The Group, apart from maintaining and consolidating existing markets, will keep on increasing its effort to develop sales network. The Group will also continue to increase its effort in market expanding and research and development, so as to develop new revenue source. The Group will carry out a new procurement model of raw material in order to improve the quality of raw material and better manage the cost of raw material. At the same time, the Company will carry out more effective measures to tackle with the adverse effect from the appreciation of RMB.

Let me extend my appreciation of the strong support of our shareholders and customers, and my heart-felt thanks to the outstanding performance of our management team and employees. Because of their dedicated contribution we were able to maintain robust growth in the year of 2007 and significantly improve the production efficiency and sales results of the Group. We look forward to maintaining the booming growth, cherishing the opportunities in the coming year and increasing the profitability and investment efficiency. We shall continue to deliver returns and value to our shareholders.

By Order of the Board
Gao Liang
Chairman

Xi'an, the PRC, 9 April 2008

Large-Scale Diversified Products

Management Discussion and Analysis

Review of Results

The Board hereby announces that, for the financial year ended 31 December 2007, the Group recorded an audited revenue of approximately RMB1,881.6 million (2006: approximately RMB863.7 million), representing an increase of 117.9% over last year, and a gross profit margin of 29.2%, as compared with 33.1% for the corresponding period of last year. Profits attributable to equity holders of the parent amounted to approximately RMB161.9 million (2006: RMB65.8 million), representing a significant increase of 146.0% over last year. Basic earnings per share amounted to RMB13.24 cents (2006: approximately 5.38 cents), representing an increase of 146.1%.

For the financial year ended 31 December 2007, the Group recorded an increase in revenue by approximately 117.9% to approximately RMB1,881.6 million. Such increase was mainly attributable to the increase in both sales volume and selling prices of apple juice concentrate and related products of the Group.

The two new factories in Lingbao, Henan and Dangshan, Anhui, which were constructed and which commenced production in 2007 made significant contribution in the second half of 2007 resulting in the increase in the production volume as well as the sales volume of the Group.

The procurement of apple, the major raw material of the Group, was closely monitored and controlled in order to ensure high quality and reasonable purchase cost. Owing to effective cost control, the gross profit margin of the Group slightly decreased from 33.1% to 29.2%, despite the significant increase in cost of apple during the year under review.

Distribution and selling costs during the period under review amounted to approximately RMB211.4 million, representing an increase of 102.3%. Such an increase was mainly attributable to and in line with the increase in sales volume of the Group.

Administrative expenses increased by 33.9% to approximately RMB78.9 million. The increase was mainly driven by the recognised impairment loss and the increase in the number of employees, the improvement of compensation and the increase of depreciation costs of the Group, as a result of the establishments of the two new factories in Dangshan and Lingbao in 2007.

Finance cost of the Group amounted to approximately RMB79.3 million during the year under review, representing an increase of 46.5%. The increase was mainly attributable to the long-term loan financing of the construction of the two new factories in Dangshan and Lingbao in 2007.

The Group has attained an audited profit attributable to equity holders of the parent of approximately RMB161.9 million for the year under review (2006: approximately RMB65.8 million), representing a significant increase of 146.0% over last year. The significant increase in profit attributable to equity holders of the parent was mainly driven by the increases in both sales volume and selling prices of the Group's product.

Liquidity, Financial Resources, Gearing and Capital Commitments

As at 31 December 2007, the Group's borrowings amounted to approximately RMB1,489.0 million (2006: RMB1,206.8 million), among which, approximately RMB778.3 million were secured by way of charge of the Group's assets and approximately RMB236.5 million were denominated in US dollars while approximately RMB1,252.5 million were denominated in Renminbi. The maturity profile of the Group's borrowings is set out below:

	As at 31 December	
Repayable:	2007 RMB'000	2006 RMB'000
On demand or within one year	888,709	1,147,100
Over one year	600,289	59,721
Total borrowings:	1,488,998	1,206,821

The total equity of the Group increased from approximately RMB720.6 million as at 31 December 2006 to approximately RMB876.7 million as at 31 December 2007. Such increase was attributable to the profit attributable to equity holders of the parent net of dividend paid during the year under review.

As a result of long term loan financing of the construction of the two new factories in Dangshan and Lingbao in 2007, the gearing ratio, defined as total liabilities divided by total assets, slightly increased from approximately 67.3% as at 31 December 2006 to 72.6% as at 31 December 2007. Debt to equity ratio, defined as total borrowings divided by total equity, maintained at the level of 1.7 as at 31 December 2006 and 2007.

The treasury policy of the Group is centrally managed and controlled at the corporate level. As of 31 December 2007, the Group has approximately RMB3.1 million capital commitments (2006: approximately RMB452.1 million) and has no significant contingent liabilities.

Charges on assets

The Group has pledged the following assets for security of the Group's borrowings, which amounted to approximately RMB778.3 million:

	As at 31 December	
	2007 RMB'000	2006 RMB'000
Property, plant and equipment	460,706	563,838
Prepaid lease payments	36,482	27,361
Pledged bank deposits	49,226	65,889
Inventories	396,436	109,769
Total	942,850	766,857

In addition, the borrowings from non-bank financial institutions was secured by the 67.64% equity interest of Qingdao Haisheng Fresh Fruit Juice Co., Ltd., a non-wholly owned subsidiary, which is held by another non wholly-owned subsidiary of the Group.

In order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB150 million, the Group pledged the 99.6% equity interest of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd., a non-wholly owned subsidiary of the Group, to that third party. In addition, a Director, Mr. Gao Liang also provided personal guarantee to that third party.

Business Review

As of 31 December 2007, the Group's annual production capacity was 315,000 tons. The Company currently has eight factories in six provinces across the PRC, which are equipped with highly automatic production facilities purchased from abroad. Qualified and excellent management personnel, together with the efficiency achieved by the economy of scale have further enhanced our competitive edge in the industry. With the efficient and stable production, scientific and standardized management, sufficient raw material supply and fast-response sales and marketing functions, the Group was able to record a rapid growth in results for 2007 and maintain its leading position in the industry.

Production and Expansion of Production Capacity

Currently, the Group has modernized factory in each of Qianxian of Shaanxi, Weinan of Shaanxi, Yuncheng of Shanxi, Lingbao of Henan, Dangshan of Anhui, Qingdao of Shandong, and Dalian of Liaoning. With the production management and technique innovation carried out by the Group, all factories were well operated and the products quality was stable during the year. The Group's production capacity reached 315,000 tons per year by established two factories in Lingbao, Hennan and Dangshan, Anhui with an annual production capacity of 50,000 tons and each of them operated smoothly, resulting in an increased production volume over the corresponding period of 2006. During the year under review, the Group conducted production in full compliance with accreditations such as ISO9000, HACCP, ISO14000, SGP and KOSHER, and the Qualified Supplier Certificate by each customer as well. Each plant of the Group contained sewage disposal sections and operated strictly according to ISO 14000 to fulfill social responsibility.

Raw Material Sourcing

The Group's factories are located in the regions of Loess Plateau, Bohai Gulf and Yellow River, the three largest apple sources in the PRC with the richest supply in apple. The strategic position has delivered a complementary effect to the Group in its strengths and a diversification of risk. Driven by the price of apple juice concentrate in the international market, apple purchase prices for the year under review continued featuring an uptrend as compared with last year.

Product Inspection

In parallel with the increasing emphasis on food safety from both international and domestic markets, the Company's factories have updated their existing inspection equipment and purchased certain advanced pesticide residues detecting equipment, to ensure the quality and safe consumption of our products. Samples and inspection results of relevant products will be sent to world famed third party labs, such as Sino Analytica or GFL for further comparison on a regular basis, so as to ensure the authoritativeness and accuracy of the Group's inspection results.

Sales and Marketing

In 2007, the Group maintained remarkable sales performance. The shortage of apple made the tight apple juice concentrate supply in the international market. From the beginning of the new season, the selling price of the apple juice concentrate was kept a rising trend. Customers of the Group are well- known food and beverage manufacturers from world wide, who are core suppliers among high-end clients in the high-end market. North America and Europe has contributed 51.2% and 28.3% of the Group's total sales revenue respectively. Apart from maintaining its leading position in such traditional markets as North America and Europe in terms of market share, the Group has been making effort to research and analyze emerging markets with great potentials, through its sales team. The comprehensive and diversified market network enable the Group to avoid the sales risk arising from reliance on a single market, while a renowned client group is also a support for the Company to obtain higher profit margin.

Exchange Rate Risk

The Company settles its sales mainly by US Dollars. During the year under review, Renminbi was appreciating at a faster rate, and further appreciation is expected. The Group believes the competition in apple juice concentrate industry is mainly from the Chinese domestic market, in which all companies are facing the same situation. The Group adopted the following measures to reduce the impact on the profits from the appreciation of Renminbi.

The Group used various currencies for settlement, and actively adjusts its capital structure by increasing the proportion of loans denominated in US Dollar in the total loan amount. As of 31 December 2007, the Group has loans denominated in US Dollar of approximately RMB236.5 million which was increased by 19.3% compared with the last year. In addition, relevant terms and conditions of exchange rate adjustment were included in the sales contracts. Furthermore, the Group also adopted relevant financial instruments such as forward foreign exchange settlement or swaps, enabling the Company to hedge against such risks.

Human Resources and Staff Remuneration

As of 31 December 2007, the Group has 1,511 staff members (31 December 2006: 1,146 staff members). The increase in number of staff members was attributable to the increasing demand for talents as a result of the expansion of the Group.

In recent years, the Group commits resources to provide continuing education and training for the management, core business aiming at improving their business accomplishment, technical know how and managerial skills, so as to cope with the implementation of the human resources system designed for the Company by Hewitt.

In order to attract candidates with higher caliber, increase staffs' sense of belongings and fulfill its Corporate Social Responsibility (CSR), the Group is committed to provide staff with competitive remuneration. The Group has also provided the statutory pension insurance, medical insurance, accidental insurance, unemployed insurance and accommodation pension for all staff.

Future Prospect

Looking forward the Group believes the competition in the apple juice concentrate industry in the PRC will still be fierce, however, more orderly as well. The consolidation of industry will be increased. International demand for apple juice concentrate keeps increasing year over year, so is the domestic demand. On the back of the continuing improvement in its operational and managerial structure and investment efficiency driven by our state-of-the-art production facility, sophisticated process techniques, efficient factory management, completed human resources system, highly efficient and strict financial management system and workflow, the Group's management efficiency and investment efficiency is at an elevated trend and the Group believes such substantial demand will fetch the Group a bigger market share and better profitability, so as to consolidate its leading position in the industry and widen its competitive edge over its competitors. In the coming year, the Group's plan on the supply, production, sales and management are as follows:

Raw Material Supply

In order to stabilize the price and ensure the supply of the raw material, the Group will change its former supply pattern. It became ineffective for the Group to control the upstream price depending solely on purchase from the market. Thus, the Group plans to implement a brand new pattern combining three aspects to ensure the sufficient supply. Firstly, maintain the former supply pattern to cooperate with the large purchasing agent with high marketization degree; secondly, establish the Group's own purchasing team to reduce the middle links as well as the middle transaction costs; thirdly, build the Group's own raw material supply base. This new three-way pattern will enable the Group to control the price of the fruits more effectively and ensure the quality and the quantity and as a result, the effective production.

Production

In the 2008/2009 pressing season, the Group will fully capitalize its production capacity to keep the continuous development of the Group. The Group will also emphasize the production of its by-product, i.e. apple aroma, which has a high profit margin. The Group will enhance the quality of apple aroma in order to increase the income generated from them.

Product Diversification

The Group has established a variety of product lines with a Japanese cooperator in 2007 which enable it to produce cloudy apple juice concentrate, peach juice concentrate, strawberry juice concentrate and carrot juice concentrate. The sales of the new products were expected to be launched in 2008. The Company will focus on the stability and consistency of the quality of the diversified products and prepare for further development of related products.

Sales and Promotion

With regard to the market share of the Group, the Group will improve its marketing level to gain more market shares on the basis of the current advantages. The Group will further expand into the markets of Middle East and South Asian regions while highly focus on the domestic market. As the production capacity is increasing continuously, the Group will take use of an effective expanding strategy to enlarge its market share. In order to develop new products, the Group will monitor the consumer's demand closely as well as the developing trend of the industry to make as references.

Book Closure

The register of members of the Company will be closed from 23 May 2008 to 28 May 2008 (both day inclusive), during which period no transfer of shares will be effected. In order to qualify for the attendance at the annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 May 2008.

Directors' Securities Transactions

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry to all Directors, the Company confirms that all Directors have compiled with the Model Code throughout the year under review.

Purchase, Sale and Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2007.

Corporate Governance

The Company is committed to adherence to the regulatory standards of the Stock Exchange, improving the corporate governance structure and performing the obligations as set out in the Code on Corporate Governance Practices. The Company has complied, saved for the deviation discussed below, with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of Listing Rules by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the period under review.

At present, the Company does not have the competent candidates for the position of Chief Executive Officer of the Company, Mr. Gao Liang, therefore, acts as the Chairman and Chief Executive Officer of the Company on a temporary basis. The Company is recruiting for a competent and suitable person to fill the vacancy of Chief Executive Officer of the Company.

Internal Control

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of these systems. The Board conduct regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational system.

The system has a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with relevant laws and regulations.

The Board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held to discuss financial, operational and risk management control and to ensure awareness of best corporate governance practices.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group.

The audit committee, comprising three independent non-executive Directors (Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Yim Hing Wah), is responsible for reviewing the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

The Group's annual audited results during the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Directors and Senior Management

Brief biographical details of the Directors and senior management are as follows:

Directors

Executive Directors

Mr. Gao Liang (高亮), aged 46, is the founder and chairman of the Group. He is responsible for the Group's corporate policy formulation, business strategic planning, business development and overall management of the Company. As one of the two founders, Mr. Gao has devoted himself to the apple juice concentrate industry since 1996, and has gained plenty of sales and management experiences. In 1982, Mr. Gao graduated from Shaanxi Finance and Economic Institute (陝西財經學院) in industrial economics. Mr. Gao represents Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("Shaanxi Haisheng") which has been elected as vice president of Fruit Juice Association of China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會). Moreover, his personal accreditations include being elected in 1999 by New China News Agency Shaanxi Branch (新華通訊社陝西分社) and Shaanxi Public Personnel Editorial Committee (陝西新聞人物編委會) as the Turn of the Century Shaanxi Enterprise Capital Restructuring News Figure; as vice president of the China Beverage Industry Association (中國飲料工業協會果蔬汁分會) in 2001, as the vice president of the third Council meeting of the Xianyang Township Enterpreneurs Association (咸陽鄉鎮企業協會) in 2002, was awarded the honourary certificate for being one of the Ten Outstanding Enterpreneurs in the Development of Western China by the Election Committee of Outstanding Entrepreneurs of Western China Development (西部開發優秀創業者評審委員會) and Western China Forum Organization Committee (西部論壇組織委員會) in 2002 and also the Deputy to the 10th National People's Congress of Shaanxi Province, the PRC (陝西省第十屆人大代表).

Mr. Liang Yi (梁毅), aged 47, is one of the two founders, the vice-chairman of the Group and chairman of Qingdao Haishang. Mr. Liang was in charge of the construction of the Qingdao Plant, the Qianxian Plant as well as the Dalian Plant respectively in 1996, 2002 and 2003. Since 2002, he has been for the comprehensive management of Qingdao Haisheng and Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng"). Mr. Liang was nominated as one of the "Top Ten Economic Personalities in Dalian in 2003" (2003年度大連十大經濟人物). Prior to joining the Group, he worked at Qingdao Ocean Geological Research Institute (青島海洋地質研究所) from 1986 to 1990. He obtained a diploma from Northwest University of Political Science and Law (西北政法學院) in 1984. He joined the Group in 1994.

Mr. You Yong (游泳), aged 60, is the vice-general manager of the Group. Mr. You is responsible for the formulation of the Group's business management strategy and analysis of investment opportunities. Mr. You graduated with a diploma in industrial enterprise management from SETC Economic Management United University (國家經貿委經濟管理刊授聯合大學) in 1987. Prior to joining the Group in 1995, Mr. You was the factory manager of Xi'an Eighth Wireless Electronics Factory (西安無線電八廠), a state-owned company.

Ms. Zhu Fang (朱芳), aged 38, is the chief financial officer of the Group. Ms. Zhu holds a master degree of accountancy of Xi'an Jiaotong University. In 2004, she completed the executive business administration course at the China Social Science Academy (中國社會科學院) and had continuing professional education in Business Administration in Graduate School of the Chinese Academy of Social Sciences (中國社會科學研究生院). She is now responsible for the financial planning, budget and cost control and internal audit of the Group. She joined the Group in 1994.

Independent Non-executive Directors

Mr. Zhao Boxiang (趙伯祥), aged 62, was appointed as an independent non-executive Director in September 2005. He is a Guest Professor of China Northwest University (西北大學), the chairman of Shaanxi Society of Economic Reform (陝西省體改研究會) and the president of Shaanxi Independent Director Association (陝西獨立董事協會). Mr. Zhao has previously worked as inspector of State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) and the director of Shaanxi Commission for Restructuring Economy (陝西體制改革委員會) early or late from 1986 to 2005. He graduated with a bachelor's degree majored in political education from Shaanxi Normal University (陝西師範大學) in 1969.

Mr. Yim Hing Wah (嚴慶華), aged 44, was appointed as an independent non-executive Director in September 2005. He is an associate member of Hong Kong Institute of Certified Public Accountants, associate of the Chartered Association of Certified Accountants and a member of the Hong Kong Securities Institute. Mr. Yim has over 15 years of experience in audit work, accounting and general administration. He had worked with Deloitte Touche Tohmatsu for over eight years. He holds a bachelor degree of Accountancy with Honors from Hong Kong Polytechnic University (香港理工大學) in 1991. Apart from being an independent non-executive director of the Company, he is also an independent non-executive director of other listed companies namely Jiangsu NandaSoft Company Limited, Powerleader Science & Technology Co., Ltd., Ever Fortune International Company Limited, Far East Holdings International Limited and Launch Tech Company Ltd., which are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Yim is a partner of an audit firm in Hong Kong.

Mr. Li Yuanrui (李元瑞), aged 65, was appointed as an independent non-executive Director in January 2007, and he was appointed as a deputy director and director of Food Technology Department in Northwest Agriculture University (西北農業大學) which was renamed as Northwest A&F University (西北農林科技大學) from 1989 to 2000. From 1989, Mr. Li has been appointed as the member of Teaching Guidance Committee of 2nd China Senior Agriculture University (第二屆全國高等農業院校教學指導委員會食品科學與工程學科組成員), member of University and Undergraduate Teaching Valuation Expert Team of China Education (國家教育部高校本科教學工作水平評價專家組成員), member of invite and bid expert team of Farm Produce Process of the tenth Five Year of Ministry of China Technology (國家科技部"十五"農產品深加工專案招、投標評估專家組成員), member of Fund Valuation of Agriculture Technology Production (農業科技成果轉化資金評審組成員), member of Agriculture Development Expert Team of China Ministry of Finance (國家財政部農業綜合開發專案評審專家組成員), director of Process and Storage of Agriculture Production of China Agriculture Committee (中國農學會農產品加工貯藏委員會常務理事), deputy chairman of Food Science and Technology Committee in Shaanxi (陝西食品科學技術學會副理事長), director of Shaanxi Food Industry Committee (陝西省食品工業協會理事), member of Expert Consultant Team of Shaanxi Food Industry (陝西省食品工業專家諮詢組成員), member of Industry Valuation Expert Team of Shaanxi Important High Technology (陝西省重大高新技術產業化評估專家組成員).

Senior Management

Mr. Luan Heping (樂和平), aged 51, the chairman of Weinan Haisheng Fresh Fruit Juice Co., Ltd. ("Weinan Haisheng") and a director of Shaanxi Haisheng. He is responsible for the human resources and administration of the Group. Mr. Luan joined the Group as deputy manager of administration and human resources in 1994. Mr. Luan graduated from Central Academy of Fine Arts (中央美術學院) with a diploma in textile dying.

Mr. Peng Limin (彭立民), aged 47, a director of Shaanxi Haisheng, Dalian Haisheng, and Qingdao Haisheng respectively. He is responsible for corporate finance and cost control of the Group. Mr. Peng joined the Group in 1994. He has over three years of experience in financial management and staff training. In 1990, Mr. Peng graduated from the Shaanxi Provincial Party Cadre School (陝西省委黨校) with a political management diploma. He then attended continuing professional education in Business Administration Guanghua School of Management of Peking University (北京大學光華管理學院) from 2001 to 2002. He was awarded a certificate in 2000 by the China Food Industry Association (中國食品工業協會) as an excellent leader for quality management in the national food industry.

Mr. Terence Sin Yuen Ko (單阮高), aged 36, is the company secretary and qualified accountant of the Group. He is responsible for its financial control and financial reporting. Mr. Sin is a member of Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants. He had worked with several Hong Kong accounting firms and PricewaterhouseCoopers prior to joining the Group in January 2005. Mr. Sin received a bachelor degree of business management from Hong Kong Lingnan College in 1999.

Corporate Governance Report

Introduction

The Company is committed to adherence to the regulatory standards of the Stock Exchange, improving the corporate governance structure and performing the obligations as set out in the Code on Corporate Governance Practices. The daily activities were carried out fully pursuant to the established governance policies. The Company has complied, saved for the deviation discussed below, with the principles and provisions as set out in the Code contained in Appendix 14 of the Listing Rules by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the period under review.

Model Code of Securities Transactions

The Board has adopted the Model Code of Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2007.

Board of Directors and Board Meeting

The Board comprises of 7 Directors, including 4 executive directors and 3 independent non-executive Directors. Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the section headed "Directors and Senior Management" in this Report. All Directors give sufficient time and attention to the Group's affair.

The Board held four board meetings during the year under review. At the meeting, the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Board Meetings
Executive Directors	
Mr. Gao Liang *(Chairman)*	4/4
Mr. Liang Yi *(Vice Chairman)*	4/4
Mr. You Yong *(Vice General Manager)*	4/4
Ms. Zhu Fang *(Chief Financial Officer)*	4/4
Independent non-executive Directors	
Mr. Zhao Boxiang	4/4
Mr. Yim Hing Wah	4/4
Mr. Li Yuanrui	4/4

The Board, which currently comprises 7 Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specially delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

At present the Company does not have a competent candidate for the position of Chief Executive Officer. Mr. Gao Liang, therefore, acts as the Chairman and Chief Executive Officer of the Company. The Company is recruiting for the competent and suitable person to take the position of Chief Executive Officer.

Under the Company's articles of association ("Articles of Association"), at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (including those appointed for a specific team) shall be subject to retirement by rotation at least once every three years at the general meeting. There are no provisions relating to retirement of Directors upon reaching any age limit.

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement, rotation and re-election at each annual general meeting.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and hence still considers the independent non-executive Directors to be independent.

Remuneration of Directors

The remuneration committee was established in October 2005. The Chairman is Mr. Zhao Boxiang and other members are Mr. Li Yuanrui and Mr. Yim Hing Wah. All of the members are independent non-executive Directors. Mr. Li Yuanrui was appointed as the member of the Remuneration committee on 19 January 2007.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee held two meetings during the year ended 31 December 2007 to review the terms of employment of the executive Directors and the terms of appointment of the non-executive Director and the independent non-executive Directors. Details of the attendance of the remuneration committee meetings are as follows:

Directors	Attendance/Number of Meetings
Independent non-executive Directors	
Mr. Zhao Boxiang *(Chairman)*	2/2
Mr. Yim Hing Wah	2/2
Mr. Li Yuanrui	2/2

The remuneration committee of the Company considers that the existing terms of employment of the executive Directors and appointment of the independent non-executive Directors are fair and reasonable.

Nomination of Directors

The Board has held a board meeting to consider the past performance, qualification, general market conditions and the Articles of Association in selecting and recommending candidates for directorship. All the executive Directors and independent non-executive Directors have attended the meeting.

During the meeting, the Board considered and resolved that all existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Articles of Association, Mr. Gao Liang, Mr. Liang Yi and Mr. Zhao Boxiang will retire, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Auditors' Remuneration

During the year under review, the Company has paid/payable to the external auditors approximately RMB1.4 million for audit service fee and RMB0.3 million for non-audit service.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Yim Hing Wah, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Yim Hing Wah. Mr. Li Yuanrui was appointed as the member of the Audit Committee on 19 January 2007.

The audit committee held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance/Number of Meetings
Mr. Zhao Boxiang	2/2
Mr. Yim Hing Wah	2/2
Mr. Li Yuanrui	2/2

The Group's annual audited results during the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Directors and Auditors Responsibilities for Accounts

The responsibilities of the Directors for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 30.

Internal Control

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational system.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held to discuss financial, operational and risk management control and to ensure awareness of good corporate governance practices.

Communication with shareholders

The Company attaches great priority to establishing effective communications with its shareholders and investors. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conference. Press conference is held subsequent to the final results announcement at which the executive Directors and the CFO of the Company avail themselves to questions regarding the Group's operational and financial performances. Maintaining regular dialogues with institutional investors, potential institutional investors, fund manager, shareholders and analysts to keep them abreast of the company's development is regarded as significance by the Group.

The Company provides information relating to the Company and its business in its annul report and also disseminates such information electronically through its website at www.chinahaisheng.com.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the annual general meeting of the Company. The Company supports the Code's principle to encourage shareholders' participation.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

Principal Activities

The Group's principal activities are manufacture and sale of fruit juice concentrate and other related products. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 32 of the annual report. The directors recommend the payment of a final dividend of RMB0.02 per share.

Property, Plant and Equipment

During the year, the Group incurred capital expenditure of RMB514 million in the acquisition of property, plant and equipment which mainly comprised building and plant and machinery. Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Summary financial Information

A summary of the published results and assets, liabilities and minority equity of the Group for the last five financial years set out on page 4 of the annual report. This summary does not form a part of the audited consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB623 million as at 31 December 2007. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors

The Directors during the year were:

Executive Directors:
Mr. Gao Liang *(Chairman)*
Mr. Liang Yi
Mr. You Yong
Ms. Zhu Fang

Independent non-executive Directors:
Mr. Yim Hing Wah
Mr. Zhao Boxiang
Mr. Li Yuanrui

Pursuant to the Articles of Association, Mr. Gao Liang, Mr. Liang Yi and Mr. Zhao Boxiang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 18 to 19 of this annual report.

Appointment of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 19 October 2005.

Each of Mr. Yim Hing Wah and Mr. Zhao Boxiang has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 October 2005. Mr. Li Yuanrui has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 January 2007.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 24 to the consolidated financial statements.

During the year of 2007, no option had been granted to any person under the Share Option Scheme of the Company adopted on 29 May 2007.

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

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules once the Shares are listed, were as follows:

Long position:

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	576,878,400 Shares (note 1)	47.2%
Mr. Liang Yi	The Company	Trustee	49,959,600 Shares (note 2)	4.09%
Mr. You Yong	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (note 3)	Beneficial owner	180,000 Shares	0.097%
Ms. Zhu Fang	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (note 3)	Beneficial owner	180,000 Shares	0.097%

Notes:

1. The 576,878,400 Shares were held by Think Honour International Limited ("Think Honour"), the issued share capital of which was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%). Accordingly, Mr. Gao Liang is deemed to be interested in the 576,878,400 Shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2007, the 49,959,600 Shares were held by Raise Sharp International Limited ("Raise Sharp"), the entire issued share capital of which was held by Mr. Liang Yi on trust for 677 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 49,959,600 Shares held by Raise Sharp by virtue of the SFO.

3. Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. is an indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Person's Interests in Shares and Underlying Shares

As at 31 December 2007, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Think Honour	The Company	Beneficial owner	576,878,400 Shares (Note 1)	47.2%
Ms. Yue Jingna	The Company	Interest of spouse	576,878,400 Shares (Note 2)	47.2%
Goldman Sachs & Co.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488 Shares	15.04%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	11.03%
Raise Sharp	The Company	Beneficial owner	49,959,600 Shares (Note 4)	4.09%

Notes:

1. The issued share capital of Think Honour was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%).

2. Ms. Yue Jingna is the spouse of Mr. Gao Liang. Ms. Yue Jingna is deemed to be interested in the 576,878,400 Shares in which Mr. Gao Liang is deemed to be interested by virtue of the SFO.

3. GS Capital Partners 2000 Employee Fund, L.P., GS Capital Partners 2000 GmbH & Co. Beteiligungs KG, GS Capital Partners 2000 Offshore, L.P., GS Capital Partners 2000, L.P. and Goldman Sachs Direct Investment Fund 2000, L.P. (together, the "Investors") are interested in an aggregate of 244,440,000 Shares. The general partner or managing partner of each of the Investors is a direct or indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.. Goldman, Sachs & Co., a wholly-owned subsidiary of The Goldman Sachs Group, Inc., held by The Goldman Sachs Group, Inc. directly and indirectly through intermediate subsidiaries, is the investment manager of each of the Investors. Pursuant to the SFO, each of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. is deemed to be interested in the aggregate 244,440,000 Shares in which the Investors are interested in total.

4. During the year ended 31 December 2007, 45,372,000 Shares of the 95,331,600 shares were sold, therefore the number of Shares held by Raise Sharp was reduced to 49,959,600. As at 31 December 2007, the entire issued share capital of Raise Sharp was held by Mr. Liang on trust for 677 individuals.

So far as is known to the Directors of Chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 31 December 2007:

Name	Equity interests held in the member of the Group (other than the Company)	Natures of interests	Approximate percentage
Kataoka & Co., Ltd.	Haisheng Kataoka (Dalian) Juice Limited	Beneficial owner	30%

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2007.

Emolument Policy

The emolument policy of the employees of the Group is established by the Human Resources Division on the basis of their merit, qualifications and competence and reviewed by the remuneration committee of the Group. The emoluments of the Directors are decided by the remuneration committee of the Group, having regard to the Company's operating results, individual performance and comparable market statistics.

Major Customers and Suppliers

The five largest customers accounted for approximately 36.8% of the Group's total turnover and the largest customer accounted for approximately 9.92% of the Group's total turnover for the year 2007. The five largest suppliers accounted for approximately 25.46% of the Group's total purchases and the largest supplier accounted for approximately 6.46% of the Group's total purchases for the year 2007.

None of the Directors, their associates, or any shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2007 are set out in note 22 to the consolidated financial statements.

Audit Committee

The Company has an audit committee which was established on 19 October 2005 to assist the Board in fulfilling its oversight responsibilities of the Company's compliance with legal and regulatory requirements with respect to financial matters.

The audit committee, comprising three independent non-executive Directors, is responsible for reviewing the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2007.

Connected and Related Party Transactions

During the year ended 31 December 2007, there was no connected transactions (as defined in Listing Rules) undertaken by the Group and details of the related parties transactions undertaken in the normal course of business by the Group are set out in note 31 to the consolidated financial statements.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
China Haisheng Juice Holdings Co., Ltd
Mr. Gao Liang
Chairman

Xian, the PRC, 9 April 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA HAISHENG JUICE HOLDINGS CO., LTD.
中國海升果汁控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 64, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenue	7	1,881,568	863,675
Cost of sales		(1,331,575)	(577,657)
Gross profit		549,993	286,018
Other income	8	5,035	5,301
Distribution and selling expenses		(211,374)	(104,466)
Administrative expenses		(78,853)	(58,897)
Other operating expenses		(1,590)	(6,595)
Finance costs	9	(79,309)	(54,136)
Profit before taxation		183,902	67,225
Income tax expense	10	(20,544)	(1,195)
Profit for the year	11	163,358	66,030
Attributable to:			
Equity holders of the parent		161,871	65,754
Minority interests		1,487	276
		163,358	66,030
Dividends recognised as distribution during the year	13	24,103	30,555
Earnings per share, basic (RMB cents)	14	13.24	5.38

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,346,657	889,832
Prepaid lease payments	16	45,315	30,837
Intangible assets	17	14,168	34,600
Deposit for acquisition of property, plant and equipment		—	6,305
		1,406,140	961,574
CURRENT ASSETS			
Inventories	18	1,434,829	701,242
Trade and other receivables	19	268,681	336,694
Pledged bank deposits	20	49,226	65,889
Bank balances and cash	20	35,177	115,545
		1,787,913	1,219,370
Asset classified as held for sale	15	—	21,619
		1,787,913	1,240,989
CURRENT LIABILITIES			
Trade and other payables	21	736,529	148,938
Bills payables	21	63,385	122,315
Tax liabilities		15,785	—
Dividend payable		12,573	—
Dividend payable to minority shareholders of a subsidiary		—	2,722
Bank and other borrowings — due within one year	22	888,709	1,147,100
		1,716,981	1,421,075
NET CURRENT ASSETS (LIABILITIES)		70,932	(180,086)
		1,477,072	781,488
CAPITAL AND RESERVES			
Share capital	23	12,715	12,715
Reserves	25	844,103	706,201
Equity attributable to equity holders of the parent		856,818	718,916
Minority interests		19,885	1,692
Total equity		876,703	720,608
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	22	600,289	59,721
Deferred tax liability	26	80	1,159
		1,477,072	781,488

The consolidated financial statements on pages 32 to 64 were approved and authorised for issue by the Board of Directors on 9 April 2008 and are signed on its behalf by:

Gao Liang	Zhu Fang
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note 25)*	Translation reserve RMB'000	Statutory public welfare reserve RMB'000 *(Note 25)*	Statutory surplus reserve RMB'000 *(Note 25)*	Accumulated profits RMB'000	Attributable to equity holders of the parent RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	12,715	189,989	258,722	—	15,793	31,587	174,451	683,257	1,534	684,791
Exchange difference arising on translation of foreign operations	—	—	—	460	—	—	—	460	—	460
Profit for the year	—	—	—	—	—	—	65,754	65,754	276	66,030
Total recognised income and expense for the year	—	—	—	460	—	—	65,754	66,214	276	66,490
Appropriated from accumulated profits	—	—	—	—	—	7,351	(7,351)	—	—	—
Transfer	—	—	—	—	(15,793)	15,793	—	—	—	—
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(118)	(118)
Dividends	—	(30,555)	—	—	—	—	—	(30,555)	—	(30,555)
At 31 December 2006	12,715	159,434	258,722	460	—	54,731	232,854	718,916	1,692	720,608
Exchange difference arising on translation of foreign operations	—	—	—	134	—	—	—	134	—	134
Profit for the year	—	—	—	—	—	—	161,871	161,871	1,487	163,358
Total recognised income and expense for the year	—	—	—	134	—	—	161,871	162,005	1,487	163,492
Appropriated from accumulated profits	—	—	—	—	—	20,968	(20,968)	—	—	—
Capital contribution from minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	16,800	16,800
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(94)	(94)
Dividends	—	—	—	—	—	—	(24,103)	(24,103)	—	(24,103)
At 31 December 2007	12,715	159,434	258,722	594	—	75,699	349,654	856,818	19,885	876,703

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000
OPERATING ACTIVITIES		
Profit before tax	183,902	67,225
Adjustments for:		
Interest income	(1,240)	(2,241)
Finance costs	82,309	54,736
Interest subsidy	(3,000)	(600)
Allowances for bad and doubtful debts	5,000	4,640
Depreciation and amortisation	56,082	44,477
Impairment loss on intangible assets	17,530	5,148
Release of prepaid lease payments	871	490
Net (gain) loss on disposal of property, plant and equipment and assets held for sale	(1,054)	62
Operating cash flows before movements in working capital	340,400	173,937
Increase in inventories	(733,587)	(373,461)
Decrease (increase) in trade and other receivables	71,715	(5,180)
Decrease in bills receivables	—	1,000
Increase (decrease) in trade and other payables	420,424	(49,335)
Decrease in bills payables	(58,930)	(26,688)
Cash generated from (used in) operations	40,022	(279,727)
Income tax paid	(5,838)	(36)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	34,184	(279,763)
INVESTING ACTIVITIES		
Net proceeds from sales of assets classified as held for sale	18,697	—
Purchases of property, plant and equipment	(340,423)	(116,806)
Prepaid lease payments	(16,051)	(10,042)
Decrease in pledged bank deposits	16,663	50,108
Interest received	1,240	2,241
Deposit paid for acquisition of property, plant and equipment	—	(6,305)
NET CASH USED IN INVESTING ACTIVITIES	(319,874)	(80,804)
FINANCING ACTIVITIES		
New bank and other borrowings raised	2,012,193	1,092,296
Repayments of bank and other borrowings	(1,730,016)	(588,892)
Interests paid on bank and other borrowings	(82,309)	(54,736)
Capital contribution from the minority shareholder of a subsidiary	16,800	—
Interest subsidy received	3,000	600
Dividend paid	(11,530)	(30,555)
Dividend paid to the minority shareholders of a subsidiary	(2,816)	—
Repayments to related parties	—	(3,169)
NET CASH FROM FINANCING ACTIVITIES	205,322	415,544
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(80,368)	54,977
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	115,545	60,568
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	35,177	115,545

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" in the annual report.

The Company is an investment holding company and the subsidiaries of the Group are principally engaged in the manufacture and sale of fruit juice concentrate and related products.

The Group's principal operations are conducted in the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning on 1 January 2007.

IAS 1 (Amendment)	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued at the date of this report but are not yet effective.

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & IAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Condition and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC-INT 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC-INT 12	Service Concession Arrangements[4]
IFRIC-INT 13	Customer Loyalty Programmes[5]
IFRIC-INT 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The adoption of IFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards. The consolidated financial statements are prepared on the historical cost basis. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of goods in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets on ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represent lease prepayment paid for the right to use the land on which various plants and buildings are situated for a definite period, less accumulated amortisation. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible and intangible assets with finite useful lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Impairment of intangible assets not yet available for use

Intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the date of exchange prevailing on the balance sheet date, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense or reported separately as other income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to a defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loan and receivables

Loan and receivables are assessed for indicators of impairment at each balance sheet date. Loan and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the loan and receivables have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For loan and receivables, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis, where applicable. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90–120 days and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loan and receivables with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

The Group's financial liabilities including trade and other payables, bills payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, management makes various estimates based on past experience, expectations of the future and other information. The key source of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements is disclosed below.

Estimated impairment of intangible assets

As at 31 December 2007, the carrying amount of the Group's intangible assets is approximately RMB14,168,000. The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets. However, environmental factor such as market demand assumed to be the significant uncertainty when assessing the impairment loss.

During the year, impairment loss on intangible assets of approximately RMB17,530,000 was recognised in the consolidated income statement. Determining whether the intangible assets are impaired requires an estimation of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of these are set out in note 17.

Allowance for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. For the year ended 31 December 2007, the impairment loss recognised approximated at RMB5,000,000 (2006: RMB4,640,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which included the borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to equity holders of the parent, comprised share capital, reserves, as disclosed in notes 23 and 25, respectively.

The management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2007 RMB'000	2006 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	185,474	446,848
Financial liabilities		
Amortised cost	2,242,700	1,475,441

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances, trade and other payables, bills payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales, which expose the entity to foreign currency risk. Approximately 92% of the Group's sales are denominated in the foreign currency, United States dollar ("USD").

The carrying amounts of the Group entities' monetary assets and monetary liabilities denominated in the foreign currency at the reporting date are as follows:

	Liabilities		Assets	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
USD	305,333	210,838	64,799	172,517

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2007 RMB'000	2006 RMB'000
Profit/loss for the year	11,927	1,660

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 22 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 22 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for pledged bank deposits, bank balances and bank and other borrowings at the balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by RMB7,125,000 (2006: decrease/increase by RMB5,705,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2007, five customers accounted for approximately 59% (31 December 2006: 58%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2007, the Group has available unutilised banking facilities of approximately RMB139 million (2006: RMB90 million).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows.

2007

	Weighted average effective interest rate %	Less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2007 RMB'000
Non-derivative financial liabilities							
Trade and other payables		251,728	177,491	261,098	—	690,317	690,317
Bills payables		7,000	—	56,385	—	63,385	63,385
Bank and other borrowings	6.7	117,370	242,914	563,909	664,860	1,589,053	1,488,998
		376,098	420,405	881,392	664,860	2,342,755	2,242,700

2006

	Weighted average effective interest rate %	Less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2006 RMB'000
Non-derivative financial liabilities							
Trade and other payables		116,286	15,840	14,179	—	146,305	146,305
Bills payable		3,200	39,860	79,255	—	122,315	122,315
Bank and other borrowings	6.3	66,969	201,970	951,304	63,484	1,283,727	1,206,821
		186,455	257,670	1,044,738	63,484	1,552,347	1,475,441

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

No segment information is presented during the year as the Group is principally engaged in one operating segment which is the manufacturing and sales of fruit juice concentrate and related products. The Group operates in the PRC and its major assets are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market:

	2007 RMB'000	2006 RMB'000
North America	962,680	333,330
Europe and Russia	531,649	386,511
Asia	180,661	60,479
Australia	45,937	38,584
Others	160,641	44,771
	1,881,568	863,675

8. OTHER INCOME

	Notes	2007 RMB'000	2006 RMB'000
PRC Government subsidies	(a)	2,172	—
Bank interest income		1,240	2,241
Refund of anti-dumping duties	(b)	—	259
Others		1,623	2,801
		5,035	5,301

8. OTHER INCOME *(continued)*

Notes:

(a) The subsidies from the PRC Government recognised by the Group represent subsidies for encouraging its export sales and developing the fruit juice concentrate business in the PRC. They were unconditional and determined at the sole discretion of the relevant PRC Government authorities.

(b) The refund resulted from the anti-dumping duties was related to the charge charged by the relevant authority in the United States of America (the "USA") since 2000. Followed by the success in a court proceeding, the Group is exempt from the anti-dumping duties and the amount represents the duties paid in previous years by the Group and was refunded during the year ended 31 December 2006.

9. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest expense on		
— bank borrowings wholly repayable within five years	78,924	52,154
— bank borrowings wholly repayable after five years	3,056	—
— bills receivable discounted	329	2,582
Less: Interest subsidy from the PRC Government (note)	(3,000)	(600)
	79,309	54,136

Note: The subsidies from the PRC Government recognised by the Group represent those specifically for subsidising the interest incurred by the entities engaged in manufacturing and sale of fruit juice concentrate and related products in the PRC. They were determined at the sole discretion of the Relevant PRC Government authorities.

10. INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
Current tax:		
PRC Enterprise Income tax	19,477	—
Other jurisdictions	2,146	36
Deferred taxation (note 26)	(1,079)	1,159
	20,544	1,195

The Company is not subject to any taxation as the Cayman Islands levies no tax on the income of the Group. No provision for tax therefore made.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("2 year's exemption and 3 year's deduction").

10. INCOME TAX EXPENSE *(continued)*

According to the relevant PRC tax rules applicable to Foreign Investment Enterprise, Shannxi Haisheng Fresh Fruit Co., Ltd (" Shannxi Haisheng") is entitled to the tax incentive in connection with engaging its business in planting, development and production of woody edible oil, flavorings and industrial raw materials. Shannxi Haisheng is approved by the relevant tax bureau to entitle the tax rate of 15%. In addition, Shannxi Haisheng is also entitled to the policy of 2 year's exemption and 3 year's deduction from 2005 to 2009. The applicable tax rate for 2007 is 7.5% (2006: exempted). In addition, pursuant to the relevant PRC tax rules applicable to Foreign Investment Enterprise, Qingdao Haisheng Fresh Fruit Juice Co., Ltd. and Dalian Haisheng Fresh Fruit Juice Co., Ltd. are entitled to the preferential tax rate of 24%. All the other subsidiaries located in PRC are subject to applicable PRC income tax at 33%.

One subsidiary of the Company, Haisheng International Inc. is a limited liabilities company incorporated in the USA on 21 January 2005 and it is subject to progressive corporate and federal tax rate.

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax	183,902	67,225
Tax at the domestic income tax rate of 33%	60,688	22,184
Effect of tax loss not recognised	3,180	9,050
Effect of different tax rates of a subsidiary operating in other jurisdictions	451	16
Effect of expenses that not deductible in determining taxable profit	333	301
Effect of expenses that not recognised in deferred taxation	8,393	4,188
Effect of tax losses not previously recognised	(806)	(1,003)
Effect of tax exemptions granted	(51,695)	(33,541)
Tax charge for the year	20,544	1,195

Details of movements in deferred tax liability have been set out in note 26.

On 16 March 2007, the National People's Congress promulgated the Corporate Income Tax Law of the PRC (the new "CIT") which will be effective from 1 January 2008. The new CIT will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provision Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. The directors of the Company consider that the concessionary rate entitled to the Group entities will be applicable until 2009.

11. PROFIT FOR THE YEAR

	2007 RMB'000	2006 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 12)	2,426	1,295
Other staff costs	31,575	28,678
Retirement benefits scheme contributions	2,190	1,612
Total staff costs	36,191	31,585
Auditors' remuneration	1,400	1,316
Release of prepaid lease payments included in administrative expenses	871	490
Amortisation of intangible assets included in cost of sales	2,902	2,902
Depreciation of property, plant and equipment	53,180	41,575
Loss on disposal of property, plant and equipment	4,024	62
Gain on sales of assets held for sale	(5,078)	—
Allowances for bad and doubtful debts	5,000	4,640
Impairment loss on intangible assets included in administrative expenses	17,530	5,148
Cost of inventories recognised in the consolidated income statement	1,331,575	577,657
Interest income	(1,240)	(2,241)

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2007 RMB'000	2006 RMB'000
Fee	180	180
Other emoluments:		
Salaries and allowances	2,230	1,103
Contributions to retirement benefits scheme	16	12
	2,426	1,295

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' emoluments

Details of emoluments of individual directors are set out as follows:

	2007			2006		
	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000
Mr. Zhao Boxiang	60	—	—	60	—	—
Mr. Yim Hing Wah	60	—	—	60	—	—
Mr. Li Yuanrui	60	—	—	—	—	—
Mr. Xu Yulin	—	—	—	60	—	—
Mr. Gao Liang	—	982	4	—	420	4
Mr. Liang Yi	—	583	4	—	333	—
Mr. You Yong	—	339	4	—	175	4
Ms. Zhu Fang	—	326	4	—	175	4
	180	2,230	16	180	1,103	12

Employees' emoluments

The five highest paid individuals included four (2006: four) directors of the Company for the year, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals, which fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB962,000) for the years ended 31 December 2007 and 2006, are as follows:

	2007 RMB'000	2006 RMB'000
Salaries and allowances	470	175
Retirement benefits scheme contributions	4	4
	474	179

During the both years ended 31 December 2007 and 2006, no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2007 and 2006.

13. DIVIDENDS

	2007 RMB'000	2006 RMB'000
Dividends recognised as distribution during the year	24,103	30,555

On 18 April 2007, the final dividends of RMB24,103,000, representing RMB2.0 cents for ordinary shares were declared by the board of directors of the Company and had been recognised as distribution during the year.

13. DIVIDENDS *(continued)*

The directors recommended the payment of a final dividend of RMB2.0 cents per share for the year ended 31 December 2007. This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of approximately RMB161,871,000 (2006: RMB65,754,000) and on the number of 1,222,200,000 shares in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2006	276,892	588,885	5,042	5,475	37,110	913,404
Additions	25,051	20,254	1,122	1,042	69,337	116,806
Transfer	76,717	17,490	—	237	(94,444)	—
Disposal	—	(59)	—	(52)	—	(111)
Reclassification to assets held for sale	(22,122)	—	—	—	—	(22,122)
At 31 December 2006	356,538	626,570	6,164	6,702	12,003	1,007,977
Additions	17,923	54,232	3,388	2,573	435,913	514,029
Transfer	183,823	258,185	5	1,855	(443,868)	—
Disposal	—	(7,192)	(729)	(2)	—	(7,923)
At 31 December 2007	558,284	931,795	8,828	11,128	4,048	1,514,083
DEPRECIATION						
At 1 January 2006	8,319	66,340	1,342	1,121	—	77,122
Provided for the year	6,712	33,411	415	1,037	—	41,575
Eliminated on disposals	—	(8)	—	(41)	—	(49)
Reclassification to assets held for sale	(503)	—	—	—	—	(503)
At 31 December 2006	14,528	99,743	1,757	2,117	—	118,145
Provided for the year	10,495	40,971	679	1,035	—	53,180
Eliminated on disposals	—	(3,641)	(258)	—	—	(3,899)
At 31 December 2007	25,023	137,073	2,178	3,152	—	167,426
NET BOOK VALUES						
At 31 December 2007	533,261	794,722	6,650	7,976	4,048	1,346,657
At 31 December 2006	342,010	526,827	4,407	4,585	12,003	889,832

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated after residual value on a straight-line basis at the following rates per annum:

Buildings	2.5%
Machinery	5.05–16.66%
Motor vehicles	10–20%
Office equipment	20%

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises prepayment due as follows:

	2007 RMB'000	2006 RMB'000
Due within one year shown as current assets included in trade and other receivables	1,226	524
Due after one year	45,315	30,837
	46,541	31,361

The cost of land use rights is amortised over 50 to 70 years on a straight-line basis.

17. INTANGIBLE ASSETS

	Customer list RMB'000 (note a)	Technical knowhow RMB'000 (note b)	Product development expenditure RMB'000 (note b)	Total RMB'000
COST				
At 1 January 2006, 31 December 2006 and 31 December 2007	6,621	20,050	18,861	45,532
AMORTISATION AND IMPAIRMENT				
At 1 January 2006	1,839	815	228	2,882
Charge for the year	2,207	543	152	2,902
Impairment loss recognised for the year	—	5,148	—	5,148
At 31 December 2006	4,046	6,506	380	10,932
Charge for the year	2,207	543	152	2,902
Impairment loss recognised for the year	—	9,472	8,058	17,530
At 31 December 2007	6,253	16,521	8,590	31,364
NET BOOK VALUES				
At 31 December 2007	368	3,529	10,271	14,168
At 31 December 2006	2,575	13,544	18,481	34,600

Notes:

a. The amount represents a consideration paid by the Group to a distributor of the Group to convert the exclusive distribution agreement to non-exclusive distribution agreement in selling apple juice concentrate and related products in the North American market and exclusive from selling the Group's products to its existing 25 customers for a period of three years. The customer list are amortised over 3 years on a straight-line basis accordingly.

b. At 31 December 2007, the technical knowhow and product development expenditure intangible assets with carrying amount of approximately RMB13,800,000 (2006: RMB5,213,000) have been put into use. The product development expenditure and technical knowhow are amortised over 10 years on a straight-line basis.

During the year, after assessing the market potential of certain technical knowhow and product development expenditure with the carrying amount of approximately RMB9 million and RMB8 million, respectively, the directors concluded that it would be difficult to enter into the market due to the emergence of pectin extraction from pomace into industrialisation. Accordingly, the impairment of approximately RMB9 million and RMB8 million, respectively, were recognised to the consolidated income statement to fully reduce the carrying value of the technical knowhow and product development expenditure.

At 31 December 2007, the impairment assessment of the Group's technical knowhow and product development expenditure with the carrying amount of approximately RMB13,800,000 (2006: RMB32,025,000) was carried out with reference to independent professional valuation made under a discounted cash flow analysis using cash flow projected based on financial budgets approved by management covering a 5-year period, and discount rate ranged from approximate 19% to 22% in accordance with different category of the assets.

18. INVENTORIES

	2007 RMB'000	2006 RMB'000
Raw materials	27,581	24,950
Work in progress	276,883	104,272
Finished goods	1,130,365	572,020
	1,434,829	701,242

19. TRADE AND OTHER RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	84,444	243,294
Less: allowance for doubtful debts	(9,640)	(4,640)
	74,804	238,654
Value added tax and other tax receivables	158,705	63,565
Advances to supplies	8,905	7,715
Others	26,267	26,760
	268,681	336,694

Movement in impairment loss recognised

	2007 RMB'000	2006 RMB'000
Trade receivables		
Balance at beginning of the year	4,640	—
Amounts provided during the year	5,000	4,640
Balance at end of the year	9,640	4,640

19. TRADE AND OTHER RECEIVABLES *(continued)*

The Group allows credit period ranged from 90-120 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts at the reporting date, is as follows:

	2007 RMB'000	2006 RMB'000
Aged:		
0–90 days	67,618	212,916
91–180 days	7,186	8,429
181–365 days	—	7,843
Over 1 year	—	9,466
	74,804	238,654

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mostly the renowned international beverage manufacturer, therefore based on the past history, the collectibility is expected.

As at 31 December 2007, except for the debtors past due and fully impaired, all the Group's remaining trade receivable balance are neither past due nor impaired at the reporting date for which the Group has not provided for impairment loss since they are mainly customers with good quality. In addition, the Group does not hold any collateral over these balances.

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2007, the pledged bank deposits of RMB49,226,000 (2006: RMB65,889,000) carried an average interest rate of 3.33% (2006: 2.31%) and bank balances and cash of RMB35,177,000 (2006: RMB115,545,000) carried prevailing interest rate of 0.72% (2006: 0.72%).

The pledged bank deposits are usually used to secure the bills payable which is payable within three months to six months. Accordingly, the pledged bank deposits are classified as current assets. Bank balances and cash comprise cash held by the Group with the original maturity of three months or less.

21. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2007 RMB'000	2006 RMB'000
Trade payables	489,847	111,418
Payable for acquisition of property, plant and equipment	178,671	11,370
Advances from customers	40,558	2,308
Others	27,453	23,842
	736,529	148,938

21. TRADE AND OTHER PAYABLES AND BILLS PAYABLES *(continued)*

(a) The Group is allowed a credit period ranged from 120–365 days from its suppliers. The aged analysis of trade payables is as follows:

	2007 RMB'000	2006 RMB'000
Aged:		
0–90 days	467,760	105,493
91–180 days	15,892	4,111
181–365 days	3,857	582
Over 1 year	2,338	1,232
	489,847	111,418

(b) The aged analysis of bills payables is as follows:

	2007 RMB'000	2006 RMB'000
Aged:		
0–90 days	56,385	84,955
91–180 days	7,000	37,360
	63,385	122,315

22. BANK AND OTHER BORROWINGS

	2007 RMB'000	2006 RMB'000
Bank loans	1,343,007	1,050,647
Borrowings from non-bank financial institutions (note)	145,991	156,174
	1,488,998	1,206,821
Analysis:		
Secured	778,338	581,100
Unsecured	710,660	625,721
	1,488,998	1,206,821

22. BANK AND OTHER BORROWINGS *(continued)*

The maturity profile of the above loans is as follows:

	2007 RMB'000	2006 RMB'000
On demand or within one year	888,709	1,147,100
More than one year, but not exceeding two years	467,097	40,721
More than two years but not more than three years	60,196	19,000
More than three years but not more than four years	29,198	—
More than four years but not more than five years	29,198	—
In more than five years	14,600	—
	1,488,998	1,206,821
Less: Amounts due for settlement within one year shown under current liabilities	(888,709)	(1,147,100)
Amounts due for settlement after one year	600,289	59,721

Note: The borrowings were provided by an independent European financial institution and the whole amounts will be repayable by 10 installments from September 2008 to March 2013.

During the year ended 31 December 2006, the Group breached certain conditions of the loan agreement with the European financial institution "EFI" (the "Conditions"). The whole amount of the borrowings were classified as a current liabilities as at 31 December 2006.

During the year ended 31 December 2007, the Company received a confirmation from EFI that EFI would not demand payment as a consequence of the breach and maintain the said borrowings to be repayable by installments in accordance with original term till 1 January 2009. Accordingly, the borrowings classified as current and non-current portion according to its original term as at 31 December 2007.

In addition, the borrowings from non-bank financial institutions was secured by the 67.64% equity interest of Qingdao Haisheng Fresh Fruit Juice Co., Ltd., a non-wholly owned subsidiary, which is held by another non-wholly owned subsidiary of the Group.

At 31 December 2007, bank and other borrowings of RMB183 million (2006: RMB167 million) are guaranteed by third parties.

As at 31 December 2007, the Group has bank borrowings of US$32.4 million, equivalent to RMB236.5 million which are denominated in foreign currency of the relevant group entities. (2006: US$22.4 million, equivalent to RMB198.3 million).

The bank borrowings of the Group are fixed-rate borrowings which carry effective interests ranging from 5.27% to 8.22% per annum during the year ended 31 December 2007 (2006: 5.27% to 7.34%).

The borrowings from non-bank financial institutions are variable-rate borrowings which carry effective interests ranging from 8.2% to 8.4% per annum during the year ended 31 December 2007 (2006: 7.4% to 8.3%).

23. SHARE CAPITAL

The Company

	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 2007	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 2007	1,222,200,000	12,222,000

	RMB'000
Shown on the consolidated balance sheet at 31 December 2006 and 2007	12,715

There was no change in the share capital of the Company during both years.

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29 May 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 29 May 2017. Under the Scheme, the Board of Directors of the Company may, at their absolute discretion, grant options to:

(i) any eligible employees, including executive, non-executive and independent non-executive directors and also consultants or advisors of the Company or its subsidiaries or any entity in which the Group holds any equity interest ("Invested Entity"), to subscribe for shares in the Company;

(ii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iii) any customer of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group and any Invested Entity.

The total number of shares which may be issued upon exercise of the options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Scheme. Without prior approval from the Company's shareholders, the maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 month period is not permitted to exceed 1% of the share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

24. SHARE OPTION SCHEME *(continued)*

Options granted must be taken up within 12 months of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from 12 months from the date of grant of share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Up to 31 December 2007, no option had been granted.

25. RESERVES

Basis of appropriations reserves

The transfers to statutory surplus reserve and statutory public welfare fund are based on the profit in the financial statements prepared under the relevant accounting principles and financial regulations applicable to companies established in the PRC.

(a) Statutory surplus reserve

Each of the Company's PRC subsidiary's Articles of Association requires the appropriation of 10% of its profit after tax determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC each year to the statutory surplus reserve until the balance reaches 50% of the share capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation.

(b) Statutory public welfare reserve

In accordance with "Cai Qi" 2007 No. 67, "Notice of accounting treatment as a result of the implementation of the PRC Co Law", the balance of statutory welfare fund at 31 December 2005 is transferred to the statutory surplus reserve. Further, effective from 1 January 2006, appropriation of the profit as reported under the PRC statutory financial statements to the statutory welfare fund is no longer required.

(c) Special reserve

The special reserve represents the aggregate amount of the share capital and share premium of the subsidiaries which were acquired by the Company at the date of the group reorganisation less the consideration payable to the then shareholders.

26. DEFERRED TAXATION

	Temporary differences arising from government grant	
	2007 RMB'000	2006 RMB'000
At beginning of the year	1,159	—
(Credit) charge for the year	(1,079)	1,159
At end of the year	80	1,159

At 31 December 2007, the Group has unutilised tax losses of approximately of RMB20,230,000 (2006: RMB27,424,000) available to set off against future assessable profit. No deferred tax assets has been recognised due to the unpredictability of future profit stream.

There was no other material unprovided deferred tax for the year or at the balance sheet date.

27. NON-CASH TRANSACTION

During the year ended 31 December 2007, the Group disposed of its assets held for sale at a consideration of approximately RMB36 million, of which approximately RMB8 million was not yet received at the balance sheet date.

28. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the year:

	2007 RMB'000	2006 RMB'000
Premises	1,688	2,248

At the respective balance sheet dates, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 RMB'000	2006 RMB'000
Within one year	500	1,459
In the second to fifth years inclusive	253	3,963
	753	5,422

Operating lease payment represents rentals payable by the Group for its warehouses and office premises. Lease terms are ranged from one to five years with fixed rental.

29. CAPITAL COMMITMENTS

	2007 RMB'000	2006 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
— Contracted for but not provided in the consolidated financial statements	3,059	8,398
— Authorised but not contracted for	—	443,695
	3,059	452,093

30. PLEDGE OF ASSETS

At the respective balance sheet dates, the Group pledged the following assets for security of the Group's borrowings:

	2007 RMB'000	2006 RMB'000
Property, plant and equipment	460,706	563,838
Prepaid lease payments	36,482	27,361
Pledged bank deposits	49,226	65,889
Inventories	396,436	109,769
	942,850	766,857

As at 31 December 2007 and 2006, in order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB150 million, the Group pledged the 99.6% equity interest of Shaanxi Haisheng Fresh Fruit Co., Ltd., a non-wholly owned subsidiary of the Group, to that third party. In addition, the director, Mr. Gao Liang also provided the personal guarantee to third party.

31. RELATED PARTY DISCLOSURES

(a) Except for the balance of dividend payable to a minority shareholders of a subsidiary disclosed in the consolidated balance sheet of the Group and the personal guarantee provided by Mr. Gao Liang to a third party for counter guarantee the amount which that third party guarantee to the bank borrowing of the Group, in the opinion of the directors, there are no other material balance and transactions with the related parties of the Group.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were disclosed in note 12.

32. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

During the year, the retirement benefit scheme contributions amounted to approximately RMB2,206,000 (2006: RMB1,624,000).

33. SUBSIDIARIES

The particulars of the subsidiaries of the Company as at 31 December 2007 and 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital capital/registered	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Wisdom Expect Investments Limited	BVI	Ordinary shares US$200	100%	—	Investment holding
陝西海升果業發展股份有限公司 Translated as Shaanxi Haisheng Fresh Fruit Co., Ltd.	The PRC	RMB185,780,000	16.6%	83.0%	Manufacture and sale of fruit juice concentrate
大連海升果業有限責任公司 Translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd.	The PRC	RMB130,000,000	23.1%	76.6%	Manufacture and sale of fruit juice concentrate
青島海升果業有限公司 Translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd.	The PRC	RMB275,000,000	25.1%	74.6%	Manufacture and sale of fruit juice concentratee
安徽碭山海升果業有限公司 Translated as Qianxian Fresh Fruit Juice Co. Ltd.	The PRC	RMB110,000,000	—	99.6%	Manufacture and sale of fruit juice concentrate
海升片網(大連)果業有限公司 Translated as Piangang Haisheng Fresh Fruit Juice Co. Ltd.	The PRC	RMB56,000,000	—	69.8%	Manufacture and sale of fruit juice concentrate
Haisheng International	The USA	Nil	—	100%	Marketing and distribution of fruit juice concentrate

None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.