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

Stock Code : 359

Annual Report 2008

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
Mr. Yim Hing Wah
Mr. Zhao Boxiang

Company Secretary

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

Remuneration Committee Members

Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui
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				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,455,296**	1,406,140	961,574	900,402	493,999
Net-current assets/(liabilities)	**(123,830)**	70,932	(180,086)	47,791	(147,124)
Non-current liabilities	**(526,584)**	(600,369)	(60,880)	(263,402)	(145,487)
	804,882	876,703	720,608	684,791	201,388
Share capital	**12,715**	12,715	12,715	12,715	—
Reserves	**772,275**	844,103	706,201	670,542	200,506
Equity attributable to the equity holders of the parent	**784,990**	856,818	718,916	683,257	200,506
Minority interests	**19,892**	19,885	1,692	1,534	882
Total equity	**804,882**	876,703	720,608	684,791	201,388

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Turnover	**1,697,861**	1,881,568	863,675	653,953	550,323
(Loss) Profit before taxation	**(43,185)**	183,902	67,225	123,623	108,471
Income tax expense	**(15,652)**	(20,544)	(1,195)	(281)	—
(Loss) Profit for the year	**(58,837)**	163,358	66,030	123,342	108,471
(Loss) Profit attributable to:					
Equity holders of the parent	**(59,140)**	161,871	65,754	122,690	107,961
Minority interests	**303**	1,487	276	652	510
	(58,837)	163,358	66,030	123,342	108,471

Large-Scale
Diversified Products

Chairman's Statement

Dear shareholders,

On behalf of the board ("Board") of directors of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice" or "Company"), I hereby present to our shareholders the consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 December 2008 ("Year Under Review").

With the joint efforts of our staff throughout the Company, the Group managed to achieve moderate results despite the difficult global economic situation in 2008. For the year under review, both the selling price and sales volume of the Group dropped in the fourth quarter of 2008, due to the economic downturn of the Group's major market including North America and Europe, the Group's revenue for 2008 was approximately RMB1,697.9 million, representing a decrease of 9.8% as compared to 2007; in 2008, the Group entered into certain foreign exchange swap contracts with a financial institution for the purpose of hedging, and fair value change in relation to the Contracts was recognized in 2008. As a result, the Group has sustained loss attributable to equity holders of the parent of approximately RMB59.1 million, as against profit attributable to equity holders of the parent amounted to approximately RMB161.9 million in 2007.

In order to lay a firmer foundation for further expansion of our global market share and diversification of our fruit juice products to consolidate our leading position in the industry, the Group has acquired the assets of Qixia Juice Plant in Yantai City, Shandong Province and established Qixia Haisheng Fresh Fruit Juice Co., Ltd., which enabled the Group to increase its total annual production capacity of fruit juice from 315,000 tons to 350,000 tons. The Group has nine modernized factories located in major apple source areas across the PRC, and the reasonable industrial allocation has ensured quality purchases of raw materials and achieved a scaled production.

In 2008, the Group maintained its leading position in terms of market share in the North American, European and Africa markets, the largest markets of the world. As to the development of new markets, the Group has actively explored emerging markets such as Middle East and South Asia. In addition, noticing the increasing demand for fruit juice concentrate in developing countries and mainland China, the Group also actively explored markets in these regions. The Group has now become the world's largest supplier of clear apple juice concentrate and a major global provider of pear juice concentrate and apple aroma.

By maintaining its competitive edge of low fruit consumption rate as well as capitalizing on the declining raw material prices, the Group was able to control its production cost in a more effective manner in the 2008 pressing season. Facing with the global economic turmoil which started from the fourth quarter of 2008, the Group actively adopted various financial measures during the year under review, including reorganizing loan structure, shortening the credit period of receivables, increasing the portion of prepayments, including terms that stipulate the impact of fluctuation in exchange rate on prices in the sales contracts. As such, the Group is now in a much healthier financial position.

Looking forward, the management believes 2009 will be a year full of opportunities and challenges. In order to further increase its competitive edge and market share and get fully prepared for possible deterioration of the global economy, the Group will implement rigorous measure on cost control, enhance productivity, optimize its financial structure and ensure fine management of cash flow.

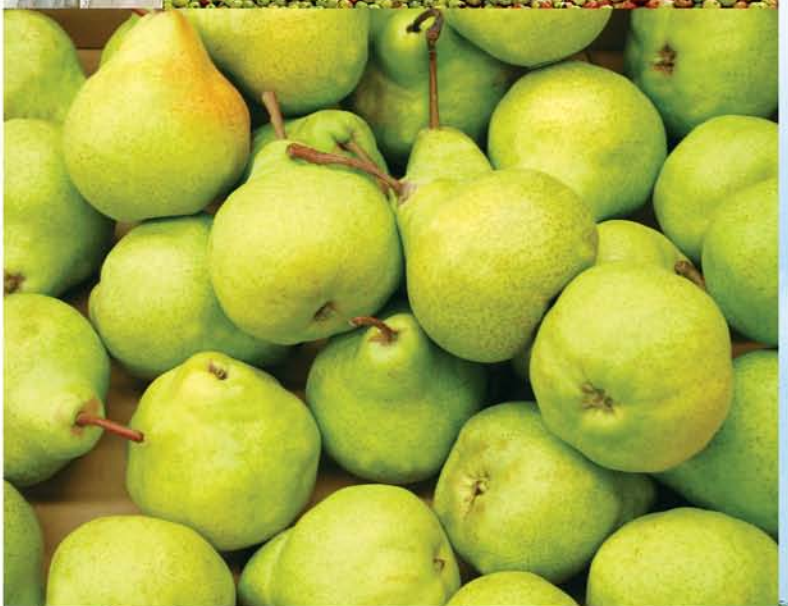
In terms of product, the Group will continue to carry out standardized production and technical innovation for apple aroma and strive to expand the apple aroma sales market. Meanwhile, the Group will continue to explore new sources of revenue by enriching its product categories and strengthening its efforts on marketing, research and development of fruit juice products. In terms of cost control, the Group strives to launch a brand new model for raw material sourcing, and maintain the best output-to-input ratio by reducing the cost of supply of raw material and production input as well as lowering redundancy and wastes in the entire supply chain. Moreover, the Group will actively enhance its scientific production management system to promote its overall productivity.

As the food industry is highly defensive, the Group possesses a natural capability in resisting economic risks. In addition, the Group will also benefit from the PRC's stimulus policies on domestic demand, development of agriculture, and increase of farmer's income. Leveraging on its leading market shares, high-quality client groups and outstanding production management systems, the Group has full confidence in its future development despite the accelerating global downtrend.

Let me extend my appreciation to our shareholders and customers for their unwavering support to Haisheng Juice, and my heart-felt thanks to our management team and staff for their excellent performance. With their endeavor and dedication, the Group was able to maintain robust growth and significantly improved the production and operation efficiency. In the coming year, I am fully confident that the Group will manage to increase its profitability and convert challenges into opportunities. We shall continue to share the achievements with all our investors and shareholders.

By Order of the Board
Gao Liang
Chairman

Xi'an, the PRC, 28 April 2009




食品安全重于山 勤查狠抓严

High Quality Low Cost

Management Discussion & Analysis

Review of Results

The Board hereby announces that, for the financial year ended 31 December 2008, the Group recorded an audited revenue of approximately RMB1,697.9 million (2007: approximately RMB1,881.6 million), representing a decrease of 9.8% year-on-year, and a gross profit margin of 28.1%, as compared with 29.2% for the corresponding period of last year. Loss attributable to equity holders of the parent amounted to approximately RMB59.1 million as against profit attributable to equity holders of the parent amounted to approximately RMB161.9 million in 2007. Loss per share amounted to RMB4.84 cents as against basic earnings per share amounted to RMB13.24 cents in 2007.

For the financial year ended 31 December 2008, the Group recorded a decrease in revenue by approximately 9.8% to approximately RMB1,697.9 million. Such decrease was mainly attributable to the decrease in sales volume in the fourth quarter of 2008 as the major markets of the Group including North America and Europe experienced an economic downturn in second half of 2008.

The selling price of the Group's products dropped in the fourth quarter of 2008. As a result, the gross profit margin of the Group dropped from 29.2% to 28.1% from 2007 to 2008.

Distribution and selling costs during the period under review amounted to approximately RMB148.2 million, representing a decrease of 29.9%. The decrease in distribution and selling costs were attributable to the general decrease in freight charges and sales volume.

Administrative expenses increased by 45.5% to approximately RMB81.9 million. The increase in administrative expenses was mainly attributable to the commencement of the operation of the two new factories in Dangshan, Anhui and Lingbao, Henan respectively in the end of 2007 and the general increase in staff cost and depreciations.

Other expenses decreased by 42.0% to approximately RMB14.0 million which mainly included share-based payment expense amounted to approximately RMB12.8 million.

Finance cost of the Group amounted to approximately RMB89.8 million during the financial year ended 31 December 2008, representing an increase of 13.3%, which was attributable to the increase in average bank lending rate in 2008.

The Group entered into certain foreign exchange swap contracts (the "Contracts") with a financial institution (the "Counterparty") in July and August 2008 respectively for the purpose of hedging. Fair value change on derivative financial instrument in relation to the Contracts amounted to approximately RMB191.1 million was recognised in 2008.

The Group has sustained an audited loss attributable to equity holders of the parent of approximately RMB59.1 million for the financial year ended 31 December 2008 as against profit attributable to equity holders of the parent amounted to approximately RMB161.9 million in 2007. The loss sustained was mainly attributable to the economic downturn occurred in the Group's major markets including North America and Europe and also the fair value change on derivative financial instrument. Both the selling price and sales volume of the Group dropped in the fourth quarter of 2008 and the fair value change on derivative financial instrument amounted to approximately RMB191.1 million recognised in 2008.

Liquidity, Financial Resources, Gearing and Capital Commitments

As at 31 December 2008, the Group's borrowings amounted to approximately RMB1,299.2 million (2007: RMB1,489.0 million), among which, approximately RMB841.5 million were secured by way of charge of the Group's assets and approximately RMB195.6 million were denominated in US dollars while approximately RMB1,103.6 million were denominated in RMB. The maturity profile of the Group's borrowings is set out below:

	As at 31 December	
	2008	2007
Repayable:	**RMB'000**	RMB'000
On demand or within one year	**778,564**	888,709
Over one year	**520,684**	600,289
Total borrowings	**1,299,248**	1,488,998

The total equity of the Group decreased from approximately RMB876.7 million as at 31 December 2007 to approximately RMB804.9 million as at 31 December 2008. Such decrease was attributable to the loss attributable to equity holders of the parent net of dividend paid during the year under review.

The gearing ratio, defined as total liabilities divided by total assets, slightly decreased from approximately 72.6% as at 31 December 2007 to 72.1% as at 31 December 2008. Debt to equity ratio, defined as total borrowings divided by total equity, slightly decreased from approximately 1.7 times as at 31 December 2007 to 1.6 times as 31 December 2008.

The treasury policy of the Group is centrally managed and controlled at the corporate level. As of 31 December 2008, the Group has no significant capital commitments and contingent liabilities.

Exposure to Foreign Exchange Fluctuation

The Group is mainly exposed to the fluctuation of USD against RMB. The Group does not have a foreign currency hedging policy. However, management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Litigation

On 2 April 2009, the Group has commenced legal proceedings at the Intermediate People's Court of Xian, Shaanxi Province, the PRC with respect to the dispute in relation to the Contracts, which were entered into by the Group with the Counterparty in July and August 2008 respectively, against the Counterparty and one of its fellow subsidiary who acted as a ratings advisor (the "Ratings Advisor") at the time when the Contracts were prepared and entered into (together referred as to the "Defendants"). The Contracts were restructured on 17 October 2008 as advised by the Ratings Advisor. Details of the terms of the Contracts were set out in the announcement dated 14 April 2009 by the Company.

On 19 September 2008, the Ratings Advisor informed the Group that a collateral in the form of cash had to be deposited by the Group. The Ratings Advisor demanded the Group to pay collateral based on the market value of the Contracts, which was calculated by the Defendants, less a threshold amount of USD10 million given to the Group.

Neither the Counterparty nor the Ratings Advisor had advised or disclosed to the Group the terms of any such collateral and any related risks of loss prior to the notice about the possibility of depositing a collateral given by the Ratings Advisor to the Group on 11 September 2008.

The Group believed that at the time when the Contracts were prepared and entered into, the Ratings Advisor should have understood the financial position of the Group and any payment of such collateral would have had adverse effect on the Group.

As at 10 April 2009, the collateral amount was approximately RMB70 million based on the market value of the Contracts of approximately RMB138 million calculated by the Defendants. The market value of the Contracts and the collateral amount demanded by the Ratings Advisor will be driven by the spot and forward exchange rates which are subject to changes from time to time according to the prevailing market conditions. The Group refused to deposit the collateral.

On 20 April 2009, the Counterparty served a notice dated 17 April 2009 to the Group that the Contracts have been terminated on 14 April 2009. No judgement on the legal proceedings has been made yet and the financial impact of the legal proceedings cannot be ascertained up to our reporting date.

Charges on assets

The Group has pledged the following assets as security of the Group's borrowings, which amounted to approximately RMB851.9 million:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Property, plant and equipment	**404,123**	460,706
Prepaid lease payments	**25,979**	36,482
Pledged bank deposits	**25,616**	49,226
Inventories	**396,219**	396,436
Total	**851,937**	942,850

As at 31 December 2008 and 2007, 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, a non-wholly owned subsidiary of the Group, to that third party. In addition, Mr. Gao Liang, the director of the Company provided the personal guarantee to that third party for counter guarantee the amount which that third party guaranteed to the said bank borrowing of the Group. In addition, as at 31 December 2008 and 2007, Mr. Gao Liang and his spouse also provided the personal guarantee to a bank to guarantee the bank borrowings of RMB80 million (2007: RMB20 million).

As at 31 December 2008, the bank borrowings of RMB40 million (2007: RMB60 million) are guaranteed by Mr. Liang Yi and Mr. Gao Liang. In addition, Mr. Liang Yi provided the personal guarantee to counter guarantee a third party for giving its guarantee to the Group's bank borrowings of RMB30 million (2007: nil).

Business Review

As of 31 December 2008, the Group's annual production capacity was 350,000 tons. The Company currently has nine factories in six provinces across China, which are equipped with highly automatic production facilities purchased from abroad. Qualified and excellent management personnel, together with increased 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 achieve rapid growth in 2008 and maintain its leading position in the industry.

Production

Currently, the Group has modernized factories in regions with rich apple sources across China, including Qianxian of Shaanxi, Weinan of Shaanxi, Yuncheng of Shanxi, Lingbao of Henan, Dangshan of Anhui, Qingdao of Shandong, Qixia 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 product quality remained stable during the year under review. A new factory in Qixia of Shandong was established and put into normal operation during the year under review, delivering an annual production capacity of 35,000 tons. As a result, the Group's production capacity has expanded to 350,000 tons. 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 of each customer as well. Equipped with complete sewage disposal facilities, each factory of the Group operates in strict compliance with ISO 14000 to fulfill their social responsibility.

Raw Material Sourcing

The Group's factories are located in the regions of Loess Plateau, Bohai Gulf and the ancient course of Yellow River, the three largest and richest apple sources in the PRC, while the strategic position has delivered a complementation for strengths of resources and a diversification of risks to the Group. The Group has reformed its existing raw material sourcing pattern, so as to ensure quality and cost control of the sourcing process are implemented in a more efficient manner.

Product Inspection

In parallel with the increasing emphasis on food safety from both international and domestic markets, the Group's factories have upgraded their existing inspection equipment and purchased certain advanced pesticide residues detecting equipment to ensure the quality and safe consumption of its products. Samples and inspection results of relevant products are 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. Product quality has always been the concern of the Group, and it is proud of its high-quality products. The Group will continue to enhance its quality control systems to consolidate its market reputation as being high-quality oriented.

Sales and Marketing

In 2008, the Group continued to strengthen its efforts in sales and marketing. The Group has a customer base comprising well-known food and beverage manufacturers all over the world, and it is also the core supplier of high-end clients in high-end markets. North America and Europe have contributed 67% and 14% of the Group's total sales revenue respectively. Apart from maintaining its leading position in traditional markets such as North America and Europe, the Group has been engaging its sales teams to carry out research and analysis in emerging and potential markets. The comprehensive and diversified market networks enabled the Group to avoid the sales risk arising from reliance on a single market, while an internationally renowned client base is a support for the Group to maintain higher profit margin.

Human resources and staff remuneration

As of 31 December 2008, the Group had 1,335 staff (2007: 1,511 staff). The decrease in number of staff was attributable to the increase of working efficiency, reduction of staff and optimization of organizational structure.

In recent years, the Group commits resources to provide continuing education and training for the management, core business personnel and employees 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 staff's sense of belongings and fulfill its Corporate Social Responsibility (CSR), the Group is committed to provide staff with competitive remuneration. The Group also provides the statutory pension insurance, medical insurance, accidental insurance, unemployment insurance and accommodation pension for all staff.

Future Prospect

Looking forward, the Group believes that the outlook of global economy will remain uncertain, which will bring new challenges to the juice concentrate industry in the PRC. Although the strong demand for apple juice concentrate from international market is expected to experience slowdown, demand from mainland China will maintain steady growth. Leveraging on the state-of-the-art production facilities, ongoing innovative process techniques, efficient factory management, comprehensive cost control, completed human resources system, highly efficient marketing strategies and straight financial management system and workflow, the Group believes that its operational and managerial structure and investment efficiency will continue to improve. The Group will also capture the market opportunities ahead and seek for expanding its market share and enhancing its profitability, so as to consolidate its leading position in the industry and widen its competitive edge over its competitors. The Group has already made specific plans on aspects such as raw material supply, production and sales for the coming year, as follows:

Raw Material Supply

In order to stabilize the price and ensure the supply and quality of the raw material, the Group will continue to improve its raw material supply pattern. To ensure the sufficient supply of high quality raw material, the Group will implement a brand new sourcing pattern combining three aspects. Firstly, to maintain the existing supply pattern by cooperating with the large sourcing agent with high marketization degree; secondly, to establish the Group's own sourcing network to reduce the intermediate links and transaction costs; thirdly, to build the Group's own raw material supply base. This three-way sourcing pattern will enable the Group to control the price of raw material more effectively and ensure the quality and quantity and as a result, the effective production. The Group will also strengthen its efforts on the analysis of the raw material market trends as well as sourcing decisions, so as to deliver more scientific and reasonable raw material sourcing plans.

Production

In the 2009/2010 pressing season, the Group will continue to capitalize its production capacity and leverage on its advantage of scale production through the ongoing improvement of its production capacity utilization rate. The Group will also place emphasis on the standardized production of its high profit margin by-product, i.e. apple aroma, from which the Group will generate higher income with its increasing quality. Meanwhile, the Group will continue to carry out the quantified online quality monitor system, real-time monitoring of the overall supply chain and, specially, cost control, with the purpose to achieve a higher input to output ratio.

Product Diversification

In line with the market demand, the Group will increase its efforts on the research and development of new products and the innovation of existing products. Therefore, the Group 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, the Group will improve its marketing level to gain more market shares on the basis of its current advantages. It will further expand into the emerging and potential markets such as the Middle East and South Asian regions and seek to expand its share in the domestic market. As the production efficiency is improving and cost of production reducing, the Group will implement active and effective expanding strategies to enlarge its market share. Moreover, the Group will closely monitor the market demand and trends in the industry to make it as references for development of new products.

Cost Control

The Group will keep focusing on the cost control to get well prepared for the deteriorating economic conditions and improve our management efficiency. On the premise that the quality of product can be guaranteed, the Group will fully inspect each part of the process in production, outsourcing and management, to reduce any redundancy and waste to lower the cost of production.

Financial Structure

The Group intends to further optimize its financial structure and conduct a debt relief plan. Leveraging on the strong relationship with and its good credit records in the domestic and foreign banks, the Group will transform its short-term debts into long-term debts to optimize its debt structure and guarantee a healthy cash flow.

Book Closure

The register of members of the Company will be closed from 6 June 2009 to 12 June 2009 (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 5 June 2009.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2008.

Corporate Governance

The Company is committed to adhere to the regulatory standards of The Stock Exchange of Hong Kong Limited ("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 provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to 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.

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 organisational 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 2008 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 Senior Management

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

Directors

Executive Directors

Mr. Gao Liang (高亮), aged 48, 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, and he is currently studying in China Europe International Business School in Global CEO Programme for further education. 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 49, is one of the two founders, the vice-chairman of the Group. 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 the Chairman of Qingdao Haisheng Fresh Fruit Juice Co., Ltd. ("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, and he is currently studying in China Europe International Business School in EMBA Programme for further education. He joined the Group in 1994.

Mr. You Yong (游泳), aged 62, 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 40, 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 has been studying in China Europe International Business School for an EMBA degree since 2007. 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 64, 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. Zhao made remarkable contributions in the reformation of state-owned enterprise and private enterprise, and the listing of the Company. He has wrote many thesis on subjects such as reformation of economic system and regulation of State-owned assets, as well as construction and development of capital market, with some of them were award winners or published in major periodicals.

Mr. Yim Hing Wah (嚴慶華), aged 45, 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. Mr. Yim is a partner of an audit firm in Hong Kong.

Mr. Li Yuanrui (李元瑞), aged 67, 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). Mr. Li was awarded a Special Allowance by the State Council in 1993. He has 4 books and 76 academic thesis in publication. In 2008, he obtained a letter of patent named "a method for detecting galacturonic acid in juice and drink" (一種測定果汁、飲料中半乳糖醛酸方法) (Patent No. ZL200410073309x).

Senior Management

Mr. Peng Limin (彭立民), aged 49, a director of Shaanxi Haisheng, Dalian Haisheng, and Qingdao Haisheng respectively, and he is the Chairman of Anhui Dangshan Haisheng, Qixia Haisheng and Yuncheng Haisheng. Mr. Peng joined the Group in 1994. He has many 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.

Ms. Wang Xuemei (汪雪梅), aged 35, is the administrative deputy general manager of Shaanxi Haisheng. She is responsible for the human resource and administrative management of the Group. Ms. Wang joined the Group in 1996. She was responsible for funding. Ms. Wang graduated from Xi'an Jiaotong University (西安交通大學) and obtained a diploma in Accountancy. She has been studying in China Europe International Business School for an EMBA degree since 2007.

Ms. Liu Li (劉麗), aged 35, is the financial deputy general manager of Shaanxi Haisheng. She is responsible for the financial management of the Group. Ms. Liu has three years of experience in financial management before she joined the Group in 2005. Ms. Liu graduated as a postgraduate in Management from Lincoln University in New Zealand. In 2007, she became an executive director of World Juice Industry Association, and a director of World Juice Protection Association. She has been studying in China Europe International Business School for an EMBA degree since 2007.

Mr. Li Bing (李兵), aged 36, joined the Group in 1997, is the production deputy general manager of Shaanxi Haisheng. He is responsible for the production, purchase, and cost control of the Group. In 1996, Mr. Li graduated from Shaanxi Radio & TV University (陝西廣播電視大學) in Accountancy. He has been studying in China Europe International Business School for an EMBA degree since 2007. Mr. Li's other achievements also includes "Top Ten Outstanding Entrepreneur of Xianyang City" (咸陽市十大優秀企業家) and "Youth Shock Worker of Xianyang City" (咸陽市青年突擊手稱號) in 2006.

Mr. Terence Sin Yuen Ko (單阮高), aged 37, is the company secretary of the Group. 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 adhere 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 provisions contained in the Code 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 to the Listing Rules. 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 2008.

Board of Directors and Board Meeting

The Board comprises of 7 Directors, including 4 executive Directors and 3 independent non-executive Directors. Details of the backgrounds and qualifications of the Directors are set out in the section headed "Directors and Senior Management" in this annual 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 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 the Board's approval before publication, 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 the Company 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.

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 2 meetings during the year ended 31 December 2008 to review the terms of employment of the executive Directors and the terms of appointment of 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 terms of the independent non-executive Directors are fair and reasonable.

Nomination of Directors

The Board has held a 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, Ms. Zhu Fang, Mr. Li Yuanrui and Mr. Yim Hing Wah 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 to the external auditors approximately RMB1.4 million for audit service fee.

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.

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 audited annual results for the year ended 31 December 2008 and the unaudited interim results for the six months ended 30 June 2008 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 pages 31 to 32.

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 Chief Financial Officer 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 20 clear business 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 2008.

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 35 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 33 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2008.

Property, Plant and Equipment

During the year, the Group incurred capital expenditure of RMB125 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 16 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 year ended 31 December 2008 and the past four financial years is set out on page 3 of this 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 25 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 RMB618 million as at 31 December 2008. 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, Ms. Zhu Fang, Mr. Li Yuanrui and Mr. Yim Hing Wah 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 17 to 18 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 a term of three years commencing from 19 October 2008.

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 and has entered into a renewal letter of appointment with the Company for a term of three years on 19 October 2008. 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 26 to the consolidated financial statements.

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 may, at their absolute discretion, grant options to the following participants to subscribe for shares in the Company:

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

(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 and with a value in excess of HK$5 million in the past 12-month period must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. The exercise price is determined by the directors of the Company, and must be at least the highest 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.

There was no option outstanding on 1 January 2008. On 3 March 2008, 25,320,000 options were granted to a total of 512 members of staff of the Group with an exercise price of HK$2.012 per share. The closing price of the Company's share immediately before the date on which the above options was granted was HK$2.02. Among the options granted, 18,800,000 options have the vesting period from 3 March 2008 to 2 March 2009 and the exercise period from 3 March 2009 to 2 March 2013 while 6,520,000 options have the vesting period from 3 March 2008 to 2 March 2010 and the exercise period from 3 March 2010 to 2 March 2013. 1,440,000 options granted were lapsed in accordance with the terms of the Scheme during the period under review. 23,880,000 options granted were outstanding as at 31 December 2008.

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

As at 31 December 2008, 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, 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	571,578,400 Shares *(note 1)*	46.77%
Mr. Liang Yi	The Company	Trustee	49,751,600 Shares *(note 2)*	4.07%
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 571,578,400 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 571,578,400 Shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2008, the 49,751,600 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 660 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 49,751,600 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 2008, 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 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.

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

As at 31 December 2008, 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	571,578,400 Shares *(Note 1)*	46.77%
Ms. Yue Jingna	The Company	Interest of spouse	571,578,400 Shares *(Note 2)*	46.77%
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	49,751,600 Shares *(Note 4)*	4.07%

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%). Mr. You Yong is the sole director of Think Honour.

2. Ms. Yue Jingna is the spouse of Mr. Gao Liang. Ms. Yue Jingna is deemed to be interested in the 571,578,400 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. The entire issued share capital of Raise Sharp is help by Mr. Liang Yi on trust for 660 individuals.

So far as is known to the Directors and 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 2008:

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 2008.

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 48% of the Group's total turnover and the largest customer accounted for approximately 15% of the Group's total turnover for the year 2008. The five largest suppliers accounted for approximately 12% of the Group's total purchases and the largest supplier accounted for approximately 3% of the Group's total purchases for the year 2008.

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 2008 are set out in note 23 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 as at the latest practicable date prior to the issue of this annual report, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2008.

Connected and Related Party Transactions

During the year ended 31 December 2008, there were no connected transactions (as defined in Listing Rules) undertaken by the Group and details of the related party transactions undertaken in the normal course of business by the Group are set out in note 32 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, 28 April 2009

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 33 to 70, which comprise the consolidated balance sheet as at 31 December 2008, 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, in accordance with our agreed terms of engagement, 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 2008 and of the Group's loss 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

28 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	8	1,697,861	1,881,568
Cost of sales		(1,220,706)	(1,331,575)
Gross profit		477,155	549,993
Other income	9	4,690	5,035
Distribution and selling expenses		(148,153)	(211,374)
Administrative expenses		(81,949)	(56,323)
Other expenses		(13,979)	(24,120)
Finance costs	10	(89,845)	(79,309)
Fair value change on derivative financial instrument		(191,104)	—
(Loss) profit before taxation		(43,185)	183,902
Income tax expense	11	(15,652)	(20,544)
(Loss) profit for the year	12	(58,837)	163,358
Attributable to:			
Equity holders of the parent		(59,140)	161,871
Minority interests		303	1,487
		(58,837)	163,358
Dividends	14	24,444	24,103
(Loss) earnings per share, basic (RMB cents)	15	(4.84)	13.24

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,398,163	1,346,657
Prepaid lease payments	17	44,956	45,315
Intangible assets	18	12,177	14,168
		1,455,296	1,406,140
CURRENT ASSETS			
Inventories	19	1,102,618	1,434,829
Trade and other receivables	20	228,407	268,681
Pledged bank deposits	21	25,616	49,226
Bank balances and cash	21	69,874	35,177
		1,426,515	1,787,913
CURRENT LIABILITIES			
Trade and other payables	22	540,978	736,529
Bills payables	22	35,500	63,385
Tax liabilities		3,962	15,785
Dividend payable		—	12,573
Dividend payable to minority shareholders of a subsidiary		237	—
Bank and other borrowings — due within one year	23	778,564	888,709
Derivative financial instrument	24	191,104	—
		1,550,345	1,716,981
NET CURRENT (LIABILITIES) ASSETS		(123,830)	70,932
		1,331,466	1,477,072
CAPITAL AND RESERVES			
Share capital	25	12,715	12,715
Reserves	27	772,275	844,103
Equity attributable to equity holders of the parent		784,990	856,818
Minority interests		19,892	19,885
Total equity		804,882	876,703
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	23	520,684	600,289
Deferred tax liability	28	5,900	80
		1,331,466	1,477,072

The consolidated financial statements on pages 33 to 70 were approved and authorised for issue by the Board of Directors on 28 April 2009 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 2008

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000 (Note 26)	Special reserve RMB'000 (Note 27)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note 27)	Accumulated profits RMB'000	Attributable to equity holders of the parent RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	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
Exchange difference arising on translation of foreign operations	—	—	—	—	(1,024)	—	—	(1,024)	—	(1,024)
(Loss) profit for the year	—	—	—	—	—	—	(59,140)	(59,140)	303	(58,837)
Total recognised income and expense for the year	—	—	—	—	(1,024)	—	(59,140)	(60,164)	303	(59,861)
Recognition of equity-settled share-based payments	—	—	12,780	—	—	—	—	12,780	—	12,780
Appropriated from accumulated profits	—	—	—	—	—	17,492	(17,492)	—	—	—
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(296)	(296)
Dividends	—	—	—	—	—	—	(24,444)	(24,444)	—	(24,444)
At 31 December 2008	12,715	159,434	12,780	258,722	(430)	93,191	248,578	784,990	19,892	804,882

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(43,185)	183,902
Adjustments for:		
Allowances for bad and doubtful debts	—	5,000
Allowances for inventories	5,191	—
Depreciation and amortisation	74,162	56,082
Finance costs	89,845	82,309
Impairment loss on intangible assets	—	17,530
Interest income	(1,681)	(1,240)
Interest subsidy	—	(3,000)
Fair value change on derivative financial instrument	191,104	—
Net loss (gain) on disposal of property, plant and equipment and assets held for sale	903	(1,054)
Share-based payment expense	12,780	—
Release of prepaid lease payments	911	871
Operating cash flows before movements in working capital	330,030	340,400
Decrease (increase) in inventories	327,020	(733,587)
Decrease in trade and other receivables	39,990	71,715
(Decrease) increase in trade and other payables	(94,134)	420,424
Decrease in bills payables	(27,885)	(58,930)
Cash generated from operations	575,021	40,022
Income tax paid	(21,655)	(5,838)
NET CASH FROM OPERATING ACTIVITIES	553,366	34,184
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(227,581)	(340,423)
Prepaid lease payments	(268)	(16,051)
Decrease in pledged bank deposits	23,610	16,663
Proceeds on disposal of property, plant and equipment	560	—
Interest received	1,681	1,240
Net proceeds from sales of assets classified as held for sale	—	18,697
NET CASH USED IN INVESTING ACTIVITIES	(201,998)	(319,874)
FINANCING ACTIVITIES		
New bank and other borrowings raised	1,302,700	2,012,193
Repayments of bank and other borrowings	(1,492,450)	(1,730,016)
Interests paid on bank and other borrowings	(89,845)	(82,309)
Dividend paid	(37,017)	(11,530)
Dividend paid to the minority shareholders of a subsidiary	(59)	(2,816)
Capital contribution from the minority shareholder of a subsidiary	—	16,800
Interest subsidy received	—	3,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(316,671)	205,322
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,697	(80,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	35,177	115,545
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	69,874	35,177

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. General

The Company was 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 2008 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 the same as the functional currency of the Company.

2. Basis of Preparation of Consolidated Financial Statements

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RMB58,837,000 during the year ended 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by RMB123,830,000. The directors are of the opinion that, taking into consideration of the internally generated funds of the Group and the presently available banking facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application 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.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible hedged items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. 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 IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out as follows:

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.

Revenue recognition

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

Revenue from sales of goods is recognised when the 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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment loss.

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 of their estimated residual value, using the straight-line method.

Construction in progress includes 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.

4. Significant Accounting Policies (Continued)

Research and development expenditures

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.

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.

4. 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.

4. 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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 and cash) 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).

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 affected.

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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.

Financial liabilities other than derivative financial instruments

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.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

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. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to the accumulated profits.

5. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in Note 4, 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

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 18. No impairment indicators on intangible assets existed for current year. During the year ended 31 December 2007, impairment loss on intangible assets of approximately RMB17,530,000 was recognised in the consolidated income statement.

Allowance for inventories

Management exercises their estimates in making allowance for inventories. Management reviews the inventory listing at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in operation. Where the actual outcome or expectation in future is different from original estimate, a material impairment loss may arise. As at 31 December 2008, the carry amount of inventories is RMB1,102,618,000 (2007: RMB1,434,829,000) (net of allowance for inventories of RMB5,191,000 (2007: nil)).

5. Key Sources of Estimation Uncertainty (Continued)

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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivables is RMB107,468,000 (2007: RMB74,804,000) (net of allowance for bad and doubtful debts of RMB9,640,000 (2007: RMB9,640,000)).

6. Capital Risk Management

The Group manages its capital to ensure that 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 23, net of cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, reserves, as disclosed in notes 25 and 27, 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, the extension and/or the redemption of the existing debt.

7. Financial Instruments

7a. Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	214,376	185,474
Financial liabilities		
Amortised cost	1,767,398	2,242,700
Derivative financial instrument	191,104	—

7b. 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 and derivative financial instruments. 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.

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the entity to foreign currency risk. Over 90% of the Group's sales and transportation payable are denominated in the foreign currency, United States dollar ("USD"). The Group is also exposed to USD currency risk related to the foreign exchange structured currency swaps.

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	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
USD	313,034	305,333	58,710	64,799

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.

7. Financial Instruments (Continued)

7b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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 USD. 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 negative/positive number below indicates a decrease in post-tax loss/increase in post-tax profit where RMB strengthen 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the loss/profit.

	2008 **RMB'000**	2007 RMB'000
Loss/profit for the year	**(9,537)**	9,020

For sensitivity analysis on the outstanding foreign exchange structured currency swaps at the 31 December 2008, there would be an increase in the post-tax loss by approximately RMB141,671,000 if RMB weaken 5% against USD, if RMB strengthen 5% against USD, there would be an equal and opposite impact.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 23 for details of these borrowings) and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 23 for details of these borrowings) and bank balances carried at prevailing interest rate. 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the balance sheet date. The analysis is prepared assuming the amount of the 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. No sensitivity analysis for bank balances as the impact is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2008 would increase/decrease by RMB461,000 (2007: post-tax profit would decrease/increase by RMB548,000). This is mainly attributable to the Group's exposure to the fluctuation of LIBOR on its variable-rate bank borrowings.

7. Financial Instruments (Continued)

7b. Financial risk management objectives and policies (Continued)

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 on trade receivables with exposure limited to certain counterparties and customers. As at 31 December 2008, the five largest customers, which are all international beverage manufacturers in North America and Europe, accounted for approximately 48% (2007: 59%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

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 2008, the Group has available unutilised banking facilities of approximately RMB180 million (2007: RMB139 million).

7. Financial Instruments (Continued)

7b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its 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.

2008

	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 31.12.2008 RMB'000
Non-derivative financial liabilities							
Trade and other payables		308,816	80,490	43,344	—	432,650	432,650
Bills payables		19,500	—	16,000	—	35,500	35,500
Bank and other borrowings	6.2	49,530	217,161	516,794	598,497	1,381,982	1,299,248
		377,846	297,651	576,138	598,497	1,850,132	1,767,398
Derivative — net settlement							
Foreign exchange structured currency swaps		3,524	7,048	31,716	155,052	197,340*	191,104

* The amount represents undiscounted cash flow based on the contractual settlement dates. As disclosed in Note 34, the foreign exchange structured currency swaps were terminated subsequent to the balance sheet date.

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

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative financial instrument) 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; and

- the fair value of derivative financial instrument is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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.

8. Revenue and Segment Information

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

Primary report segment — geographical segments

The following is a geographical analysis of the Group's revenue based on the location of customers:

	2008 RMB'000	2007 RMB'000
Revenue		
— North America	1,140,044	962,680
— Russia	187,959	126,401
— Europe	47,082	405,248
— Australia	92,111	45,937
— Asia	133,708	180,661
— Others	96,957	160,641
	1,697,861	1,881,568
Segment result		
— North America	212,633	157,881
— Russia	43,283	17,981
— Europe	6,767	80,530
— Australia	19,216	9,973
— Asia	29,477	41,446
— Others	17,626	30,808
	329,002	338,619
Other income	4,690	5,035
Finance costs	(89,845)	(79,309)
Fair value change on derivative financial instrument	(191,104)	—
Unallocated expenses	(95,928)	(80,443)
(Loss) profit before tax	(43,185)	183,902
Income tax expense	(15,652)	(20,544)
(Loss) profit for the year	(58,837)	163,358

In the opinion of the directors, it is not practicable to separate further the costs and expenses for each geographical segment except for direct cost of sales and directly attributable distribution and selling expenses.

	2008 RMB'000	2007 RMB'000
Assets and liabilities		
Segment assets		
— North America	46,686	38,602
— Russia	10,415	9,612
— Europe	7,984	1,289
— Australia	19,200	—
— Asia	14,220	21,970
— Others	8,963	3,331
— Unallocated	1,941,410	2,247,767
	2,048,878	2,322,571
Corporate assets	832,933	871,482
Consolidated total assets	2,881,811	3,194,053

8. Revenue and Segment Information (Continued)

Except for trade receivables from the customers in the respective segments, intangible assets, inventories and certain property, plant and equipment are considered as part of the segment assets and trade and bills payables are considered as segment liabilities, which cannot be allocated to the respective segments on a reasonable basis.

No geographical segment for other information is disclosed as additions of property, plant and equipment and intangible assets are substantially in the PRC. No carrying amount of segment assets by geographical location of the assets is disclosed as all of the production facilities of the Group are located in the PRC.

9. Other Income

	2008 **RMB'000**	2007 RMB'000
PRC Government subsidies *(note)*	**1,779**	2,172
Bank interest income	**1,681**	1,240
Others	**1,230**	1,623
	4,690	5,035

Note: 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.

10. Finance Costs

	2008 **RMB'000**	2007 RMB'000
Interest expense on		
— bank borrowings wholly repayable within five years	**89,285**	78,924
— bank borrowings wholly repayable after five years	**—**	3,056
— bills receivable discounted	**560**	329
Less: Interest subsidy from the PRC Government *(note)*	**—**	(3,000)
	89,845	79,309

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.

11. Income Tax Expense

	2008 RMB'000	2007 RMB'000
Current tax:		
PRC Enterprise Income tax	8,072	19,477
Other jurisdictions	1,760	2,146
	9,832	21,623
Deferred taxation *(note 28)*	5,820	(1,079)
	15,652	20,544

The Company is not subject to taxation in the Cayman Islands, which does not levy tax on the income of the Company.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% from 1 January 2008. Taxation arising in the PRC is calculated at 25% (2007: 33%) on the estimated assessable profit of those subsidiaries that are subject to Enterprise Income Tax in the PRC.

Certain PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year in 2005, followed by the applicable preferential tax rate for the next three years with a 50% reduction. Under the New Law, the preferential tax rate of 24% applicable to certain subsidiaries has been increased to 25%. However, 陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fresh Fruit Co., Ltd ("Shaanxi Haisheng") continues to enjoy a preferential tax rate of 15% under the tax incentive in connection with engaging its business in planting, development and production of woody edible oil, flavourings and industrial raw materials. The applicable tax rate for 2008 is 7.5% (2007: 7.5%).

A subsidiary of the Company, Haisheng International Inc., is a limited liabilities company incorporated in the United State of America ("USA") on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.

The Tax Law of the PRC requires withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their foreign shareholders. Deferred tax provided for in the consolidated financial statements on the estimated temporary differences arising in this respect amounted to approximately RMB5,900,000.

11. Income Tax Expense (Continued)

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

	2008 RMB'000	2007 RMB'000
(Loss) profit before tax	(43,185)	183,902
Tax at the domestic income tax rate of 25% (2007: 33%)	(10,796)	60,688
Effect of expenses that not deductible in determining taxable profit	54,007	333
Effect of temporary difference that not recognised in deferred taxation	1,298	8,393
Effect of tax loss not recognised	5,048	1,899
Effect of tax losses not previously recognised	—	(806)
Effect of tax on concessionary date	(42,016)	(51,695)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,211	1,732
Effect of tax on undistributed earnings of PRC's subsidiaries	5,900	—
Tax charge for the year	15,652	20,544

Details of movements in deferred tax liability have been set out in note 28.

12. (Loss) Profit for the Year

	2008 RMB'000	2007 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 13)*	2,246	2,426
Other staff costs	49,410	31,575
Retirement benefits scheme contributions	5,645	2,190
Share-based payments	12,780	—
Total staff costs	70,081	36,191
Auditor's remuneration	1,400	1,400
Release of prepaid lease payments (included in administrative expenses)	911	871
Amortisation of intangible assets (included in cost of sales)	1,991	2,902
Depreciation of property, plant and equipment	72,171	53,180
Loss on disposal of property, plant and equipment	903	4,024
Gain on sales of assets held for sale	—	(5,078)
Allowances for bad and doubtful debts (included in other expenses)	—	5,000
Allowances for inventories	5,191	—
Impairment loss on intangible assets (included in other expenses)	—	17,530
Cost of inventories recognised in the consolidated income statement	1,215,515	1,331,575

13. Directors' Emoluments and Employees' Emoluments

	2008 RMB'000	2007 RMB'000
Fee	180	180
Other emoluments:		
Salaries and allowances	2,019	2,230
Contributions to retirement benefits scheme	47	16
	2,246	2,426

Directors' emoluments

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

	2008			2007		
	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	—	—	60	—	—
Mr. Xu Yulin *	—	—	—	—	—	—
Mr. Gao Liang	—	942	13	—	982	4
Mr. Liang Yi	—	470	11	—	583	4
Mr. You Yong	—	285	10	—	339	4
Ms. Zhu Fang	—	322	13	—	326	4
	180	2,019	47	180	2,230	16

* Mr. Xu Yulin was resigned on 19 January 2007.

13. Directors' Emoluments and Employees' Emoluments (Continued)

Employees' emoluments

The five highest paid individuals included four (2007: 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 RMB880,000) for the years ended 31 December 2008 and 2007, are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and allowances	472	470
Retirement benefits scheme contributions	13	4
	485	474

During the both years ended 31 December 2008 and 2007, 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 2008 and 2007.

14. Dividends

	2008 RMB'000	2007 RMB'000
Dividends recognised as distribution during the year	24,444	24,103

On 28 May 2008, the final dividends of RMB24,444,000 (2007: RMB24,103,000), representing RMB2.0 cents (2007: RMB2.0 cents) for ordinary shares were declared by the Board and had been recognised and distributed during the year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008.

15. (Loss) Earnings per Share

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to equity holders of the parent of approximately RMB59,140,000 (2007: profit for the year attributable to equity holders of the parent of approximately RMB161,871,000) and on the number of 1,222,200,000 shares in issue during the year.

No diluted earnings per share has been presented for the year ended 31 December 2008 as the exercise price of the Company's options was higher than the average market price per share. No diluted earnings per share has been presented for the year ended 31 December 2007 as there were no outstanding potential ordinary shares for that year.

16. Property, Plant and Equipment

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2007	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
Additions	9,868	32,818	1,901	1,504	79,049	125,140
Transfer	27,075	52,201	129	320	(79,725)	—
Disposal	(553)	(2,429)	(1,095)	(130)	—	(4,207)
At 31 December 2008	594,674	1,014,385	9,763	12,822	3,372	1,635,016
DEPRECIATION						
At 1 January 2007	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
Provided for the year	14,037	56,059	838	1,237	—	72,171
Eliminated on disposals	(54)	(1,990)	(586)	(114)	—	(2,744)
At 31 December 2008	39,006	191,142	2,430	4,275	—	236,853
NET BOOK VALUES						
At 31 December 2008	555,668	823,243	7,333	8,547	3,372	1,398,163
At 31 December 2007	533,261	794,722	6,650	7,976	4,048	1,346,657

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%

17. Prepaid Lease Payments

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

	2008 RMB'000	2007 RMB'000
Due within one year shown as current assets included in trade and other receivables	942	1,226
Due after one year	44,956	45,315
	45,898	46,541

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

At 31 December 2008, the Group is in the process of applying title certificates for certain land with a carrying value of approximately RMB2,700,000 (2007: RMB2,567,000).

18. 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 2007, 31 December 2007 and 31 December 2008	6,621	20,050	18,861	45,532
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	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
Charge for the year	368	543	1,080	1,991
At 31 December 2008	6,621	17,064	9,670	33,355
NET BOOK VALUES				
At 31 December 2008	—	2,986	9,191	12,177
At 31 December 2007	368	3,529	10,271	14,168

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 since 2005. The customer list are amortised over 3 years on a straight-line basis accordingly.

b. At 31 December 2008, the technical knowhow and product development expenditure intangible assets with an aggregated carrying amount of approximately RMB12,177,000 (2007: RMB13,800,000) have been put into use. The product development expenditure and technical knowhow are amortised over 10 years on a straight-line basis.

18. Intangible Assets (Continued)

During the year ended 31 December 2007, after assessing the market potential of certain technical knowhow and product development expenditure with the carrying amounts 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.

19. Inventories

	2008 **RMB'000**	2007 RMB'000
Raw materials	**26,803**	27,581
Work in progress	**122,162**	276,883
Finished goods	**953,653**	1,130,365
	1,102,618	1,434,829

20. Trade and Other Receivables

	2008 **RMB'000**	2007 RMB'000
Trade receivables	**117,108**	84,444
Less: allowance for doubtful debts	**(9,640)**	(9,640)
	107,468	74,804
Value added tax and other tax receivables	**99,580**	158,705
Advances to supplies	**9,941**	8,905
Others	**11,418**	26,267
	228,407	268,681

20. Trade and Other Receivables (Continued)

Movement in impairment loss recognised

	2008 RMB'000	2007 RMB'000
Trade receivables		
Balance at beginning of the year	9,640	4,640
Amounts provided during the year	—	5,000
Balance at end of the year	9,640	9,640

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB9,640,000 (2007: RMB9,640,000) which have been in financial difficulties. The Group does not hold any collateral over these balances.

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:

	2008 RMB'000	2007 RMB'000
Aged:		
0–90 days	104,572	67,618
91–180 days	2,896	7,186
	107,468	74,804

As at 31 December 2008, except for the debtors past due and fully impaired, the trade receivable balances of RMB107,468,000 (2007: RMB74,804,000) are neither past due nor impaired at the reporting date for which the Group has not provided for impairment loss since the customers are mostly the renowned international beverage manufacturer, therefore based on the past history, the collectibility is expected.

As at 31 December 2008, the Group has trade and other receivables of USD6,660,000, equivalent to RMB45,957,000 which are denominated in foreign currency of the relevant group entities. (2007: USD5,256,000, equivalent to RMB38,370,000).

21. Pledged Bank Deposits and Bank Balances and Cash

At 31 December 2008, the pledged bank deposits of RMB25,616,000 (2007: RMB49,226,000) carried an average interest rate of ranged from 4.86% to 8.64% (2007: 5.27% to 7.47%) per annum and bank balances of RMB69,167,000 (2007: RMB34,721,000) carried prevailing interest rate of 0.36% (2007: 0.72%) per annum.

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.

As at 31 December 2008, the Group has bank balances and cash of USD1,848,000, equivalent to RMB12,753,000 which are denominated in foreign currency of the relevant group entities. (2007: USD3,621,000, equivalent to RMB26,429,000).

22. Trade and Other Payables and Bills Payables

	2008 RMB'000	2007 RMB'000
Trade payables	**332,428**	489,847
Payable for acquisition of property, plant and equipment	**76,230**	178,671
Advances from customers	**104,168**	40,558
Others	**28,152**	27,453
	540,978	736,529

(a) The Group is allowed a credit period ranged from 120–180 days from its suppliers. The aged analysis of trade payables is as follows:

	2008 RMB'000	2007 RMB'000
Aged:		
0–90 days	**278,305**	467,760
91–180 days	**44,465**	15,892
181–365 days	**6,688**	3,857
Over 1 year	**2,970**	2,338
	332,428	489,847

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

	2008 RMB'000	2007 RMB'000
Aged:		
0–90 days	**16,000**	56,385
91–180 days	**19,500**	7,000
	35,500	63,385

As at 31 December 2008, the Group has trade and other payables of USD17,024,000, equivalent to RMB117,466,000 which are denominated in foreign currency of the relevant group entities. (2007: USD9,447,000, equivalent to RMB68,963,000).

23. Bank and Other Borrowings

	2008 RMB'000	2007 RMB'000
Bank loans	**1,146,225**	1,343,007
Borrowings from non-bank financial institution *(note 1)*	**123,023**	145,991
Entrusted loan *(note 2)*	**30,000**	—
	1,299,248	1,488,998
Analysis:		
Secured	**841,484**	817,993
Unsecured	**457,764**	671,005
	1,299,248	1,488,998

23. Bank and Other Borrowings (Continued)

The maturity profile of the above loans is as follows:

	2008 RMB'000	2007 RMB'000
On demand or within one year	778,564	888,709
More than one year but not exceeding two years	32,338	467,097
More than two years but not more than three years	447,339	60,196
More than three years but not more than four years	27,338	29,198
More than four years but not more than five years	13,669	29,198
In more than five years	—	14,600
	1,299,248	1,488,998
Less: Amounts due for settlement within one year shown under current liabilities	(778,564)	(888,709)
Amounts due for settlement after one year	520,684	600,289

Note 1: The borrowings were provided by an independent European financial institution ("EFI") and the whole amounts will be repayable by 10 installments from September 2008 to March 2013.

During the year ended 31 December 2008 and 2007, the Company received a letter from EFI that EFI would not demand payment despite the Group could not satisfy certain conditions stipulated in the loan agreement and agreed to maintain the said borrowings to be repayable by installments in accordance with the original term till 1 January 2010. Accordingly, the borrowings classified as current and non-current portion according to its original terms as at 31 December 2008 and 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.

Note 2: As 31 December 2008, an entrusted loan of RMB30,000,000 (2007: nil) are borrowed from an independent third party through a bank.

During the year ended 31 December 2008 and 2007, the Group could not satisfy certain conditions of the loan agreement with an European bank ("EB"). The Group was unable to obtain a letter from EB to maintain the original term of borrowings and therefore the whole amount of the borrowings under non-current portion of RMB58,462,000 were classified as a current liabilities as at 31 December 2008. As at 31 December 2007, the borrowings from EB was classified as current and non-current portion according to its original terms as the Group obtained a letter from EB to maintain the original term.

At 31 December 2008, bank and other borrowings of RMB180,000,000 (2007: RMB183,000,000) are guaranteed by third parties.

As at 31 December 2008, the Group has bank borrowings of USD28,614,000, equivalent to RMB195,568,000 which are denominated in foreign currency of the relevant group entities. (2007: USD31,146,000, equivalent to RMB227,369,000).

The bank borrowings of the Group are fixed-rate borrowings which carry effective interests ranging from 3.47% to 8.96% per annum during the year ended 31 December 2008 (2007: 5.27% to 8.22%) per annum.

The borrowings from non-bank financial institution are variable-rate borrowings which carry effective interests ranging from 6.90% o 8.32% per annum during the year ended 31 December 2008 (2007: 8.20% to 8.40%) per annum.

24. Derivative Financial Instrument

	2008 Assets RMB000	2008 Liabilities RMB000	2007 Assets RMB000	2007 Liabilities RMB000
Foreign exchange structured currency swaps	—	191,104	—	—

Note: Major terms of the foreign exchange structured currency swaps as at 31 December 2008 are as follows:

Notional amount	Maturity	Exchange amount
Sell US$8,000,000 per month (remaining notional amount US$448,000,000)	Every 10th of each month, From 10 September 2008 to 10 August 2013	RMB54,800,000 (i) RMB54,240,000 (ii) RMB54,160,000 (iii)

(i) For the period from 10 September 2008 to 10 August 2010.
(ii) For the period from 10 September 2010 to 10 August 2012.
(iii) For the period from 10 September 2012 to 10 August 2013.

The foreign exchange structured currency swaps contain two early termination options for both parties in which the termination dates will be either:

(i) on every 10th of each month from and including 10 February 2009 to but excluding the termination date; or

(ii) on every 10th of each month from and including 10 November 2008 to and including 10 April 2009.

The above derivatives are measured at fair value at each balance sheet date. Their fair value are determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

As described in note 34, the above derivative contracts were early terminated subsequent to the balance sheet date.

25. Share Capital

The Company	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each Authorised: At 1 January 2007, 31 December 2007 and 2008	10,000,000,000	100,000,000
Issued and fully paid: At 1 January 2007, 31 December 2007 and 2008	1,222,200,000	12,222,000

	RMB'000
Shown on the consolidated balance sheet at 31 December 2007 and 2008	12,715

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

26. Share-based Payment Transactions

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, at their discretion, may 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 and 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 shares 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.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. 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 shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements of the Company's share options held by employees during the year:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2006 and 1.1.2007	Granted during the year	Lapsed during the year	Outstanding at 31.12.2008
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	—	18,800,000	(1,440,000)	**17,360,000**
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	—	6,520,000	—	**6,520,000**
				—	25,320,000	(1,440,000)	**23,880,000**

26. Share-based Payment Transactions (Continued)

The estimated fair value of the options on the date of grant are approximately RMB14,833,000 for the exercisable period from 3.3.2009 to 2.3.2013 (option A) and RMB5,209,000 for the exercise period from 3.3.2010 to 2.3.2013 (option B) respectively.

The fair value was calculated using the Binomial Option pricing model. The inputs into the model were as follows:

	Option A 3 March 2008	**Option B 3 March 2008**
Closing share price at date of grant	HK$2.00	HK$2.00
Exercise price	HK$2.012	HK$2.012
Expected volatility	50%	50%
Expected life	4.37 years	4.53 years
Risk-free rate	2%	2%
Expected dividend yield	1.5%	1.5%
Fair value per option	HK$0.789	HK$0.799

Expected volatility is based on statistical analysis of daily share average prices of group of listed companies in similar industry over the one year immediately proceeding the grant date, adjusted for any expected changes to future volatility due to public available information. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non transferability, exercise restrictions and behavioural considerations.

The Binomial Option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 31 December 2007, no option had been granted.

27. 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) 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.

28. Deferred Taxation

	Temporary differences arising from		
	Government grant	Withholding tax	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007	1,159	—	1,159
Credit for the year	(1,079)	—	(1,079)
At 31 December 2007	80	—	80
(Credit) charge for the year	(80)	5,900	5,820
At 31 December 2008	—	5,900	5,900

At 31 December 2008, the Group has unutilised tax losses of approximately of RMB30,274,000 (2007: RMB10,082,000) available to set off against future assessable profit. No deferred tax assets has been recognised due to the unpredictability of future profit stream.

During the year ended 31 December 2008, the Group has deductible temporary differences arising from allowance for inventories of RMB5,191,000 (2007: allowance for bad and doubtful debts, impairment loss on intangible assets and others of aggregated RMB25,433,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which is deductible temporary differences can be utilised.

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

29. Operating Lease Commitments

Minimum lease payments paid under operating leases during the year:

	2008	2007
	RMB'000	RMB'000
Premises	**1,390**	1,688

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:

	2008	2007
	RMB'000	RMB'000
Within one year	**878**	500
In the second to fifth years inclusive	**512**	253
	1,390	753

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.

30. Capital Commitments

	2008 RMB'000	2007 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**172**	3,059

31. Pledge of Assets

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

	2008 RMB'000	2007 RMB'000
Property, plant and equipment	**404,123**	460,706
Prepaid lease payments	**25,979**	36,482
Pledged bank deposits	**25,616**	49,226
Inventories	**396,219**	396,436
	851,937	942,850

As at 31 December 2008 and 2007, 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, a non-wholly owned subsidiary of the Group, to that third party. In addition. Mr. Gao Liang, the director of the Company provided the personal guarantee to that third party for counter guarantee the amount which that third party guaranteed to the said bank borrowing of the Group. In addition, as at 31 December 2008 and 2007, Mr. Gao Liang and his spouse also provided the personal guarantee to a bank to guarantee the bank borrowings of RMB80 million (2007: RMB20 million).

As at 31 December 2008, the bank borrowings of RMB40 million (2007: RMB60 million) are guaranteed by the directors of the Company, Mr. Liang Yi and Mr. Gao Liang. In addition, Mr. Liang Yi provided the personal guarantee to counter guarantee a third party for giving its guarantee to the Group's bank borrowings of RMB30 million (2007: nil).

32. Related Party Disclosures

(a) Except for the balance of dividend payable to the minority shareholders of a subsidiary, who include two directors of the Company and two directors of that subsidiary, disclosed in the consolidated balance sheet of the Group and the personal guarantee provided by Mr. Liang Yi, Mr. Gao Liang and his spouse as set out in note 31 above, 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 13.

33. 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 RMB5,692,000 (2007: RMB2,206,000).

34. Post Balance Sheet Event

On 2 April 2009, the Group has commenced legal proceedings at the Intermediate People's Court of Xian, Shaanxi Province, the PRC for the dispute over the foreign exchange structured currency swap contracts (the "Contracts"), which were entered into by the Group with a financial institution ("Counterparty") in July and August 2008 respectively and were restructured on 17 October 2008, against the Counterparty and one of its fellow subsidiary who acted as a ratings advisor of the Company at the time when the Contracts were prepared and entered into. Details of the Contracts were set out in the announcement announced on 14 April 2009 by the Company.

On 20 April 2009, the Counterparty served a notice dated 17 April 2009 to the Group that the Contracts have been terminated on 14 April 2009. The amount calculated and claimed by the Counterparty as at 17 April 2009 for the termination of the Contracts was USD26,283,603 (equivalent to approximately RMB180 million). The Group does not agree to pay the amount claimed by the Counterparty. However, no judgement on the legal proceedings has been made yet and the financial impact of the legal proceedings cannot be ascertained up to the reporting date.

35. Subsidiaries

The particulars of the subsidiaries of the Company as at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Wisdom Expect Investments Limited	BVI	Ordinary shares US$200	100%	—	Investment holding
Shaanxi Haisheng[1]	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.[1]	The PRC	RMB130,000,000	23.1%	76.6%	Manufacture and sale of fruit juice concentrate
青島海升果業有限責任公司 Translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd.[1]	The PRC	RMB275,000,000	25.1%	74.6%	Manufacture and sale of fruit juice concentrate
安徽碭山海升果業有限公司 Translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co. Ltd.[1]	The PRC	RMB200,000,000	—	99.6%	Manufacture and sale of fruit juice concentrate
海升片岡（大連）果業有限公司 Translated as Haisheng Kataoka (Dalian) Juice Co. Ltd.[2]	The PRC	RMB56,000,000	—	69.8%	Manufacture and sale of fruit juice concentrate
棲霞海升果業有限責任公司 Translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd.[1][3]	The PRC	RMB60,000,000	—	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	The USA	Nil	—	100%	Marketing and distribution of fruit juice concentrate

Notes:

(1) Domestic enterprise established in the PRC.

(2) Sino-foreign owned enterprise established in the PRC.

(3) This subsidiary is newly established during the year ended 31 December 2008.

(4) This subsidiary has no place of operation.

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