annual report 09

HAISHENG

China Haisheng Juice Holdings Co., Ltd.

中國海升果汁控股有限公司

Stock Code : 359


HAISHENG
海升果业

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CORPORATE INFORMATION

PLACE OF STOCK LISTED
The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE
359

EXECUTIVE DIRECTORS
Mr. Gao Liang *(Chairman)*
Mr. Liang Yi
Ms. Zhu Fang
Ms. Wang Xuemei

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Li Yuanrui
Mr. Zhao Boxiang
Mr. Lo Wai Tat Andrew

COMPANY SECRETARY
Mr. Terence Sin Yuen Ko, *FCCA*

AUTHORISED REPRESENTATIVES
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Xi'an
Shaanxi Province
The PRC

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11/F, Ka Wah Bank Centre
232 Des Voeux Road Central
Hong Kong

AUDIT COMMITTEE MEMBERS
Mr. Lo Wai Tat Andrew *(Chairman)*
Mr. Zhao Boxiang
Mr. Li Yuanrui

REMUNERATION COMMITTEE MEMBERS
Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui
Mr. Lo Wai Tat Andrew

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Cayman Islands

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Wanchai
Hong Kong

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
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88 Queensway
Hong Kong

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

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

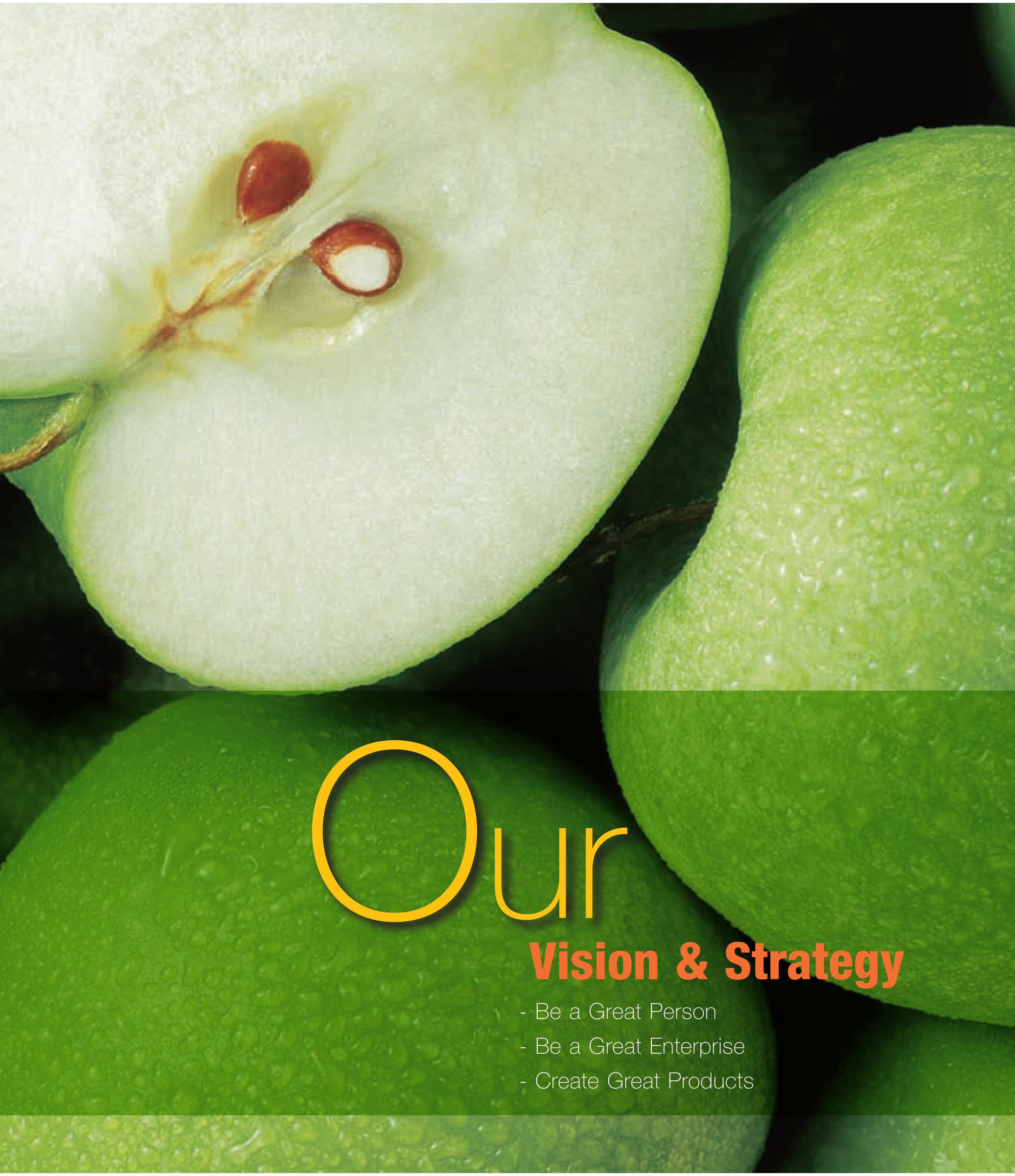
China CITIC Bank
Fenggao Road Branch
Fenggao West Road
Xi'an, Shaanxi Province
The PRC

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

FINANCIAL HIGHLIGHTS

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,387,722**	1,455,296	1,406,140	961,574	900,402
Net-current assets/(liabilities)	**87,291**	(123,830)	70,932	(180,086)	47,791
Non-current liabilities	**(574,431)**	(526,584)	(600,369)	(60,880)	(263,402)
	900,582	804,882	876,703	720,608	684,791
Share capital	**12,715**	12,715	12,715	12,715	12,715
Reserves	**872,385**	772,275	844,103	706,201	670,542
Equity attributable to the equity holders of the parent	**885,100**	784,990	856,818	718,916	683,257
Minority interests	**15,482**	19,892	19,885	1,692	1,534
Total equity	**900,582**	804,882	876,703	720,608	684,791

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Turnover	**1,447,143**	1,697,861	1,881,568	863,675	653,953
(Loss) Profit before taxation	**79,837**	(43,185)	183,902	67,225	123,623
Income tax expense	**13,853**	(15,652)	(20,544)	(1,195)	(281)
(Loss) Profit for the year	**93,690**	(58,837)	163,358	66,030	123,342
(Loss) Profit attributable to:					
Owners of the Company	**98,100**	(59,140)	161,871	65,754	122,690
Minority interests	**(4,410)**	303	1,487	276	652
	93,690	(58,837)	163,358	66,030	123,342



Our
Vision & Strategy

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

RMB382,865,000

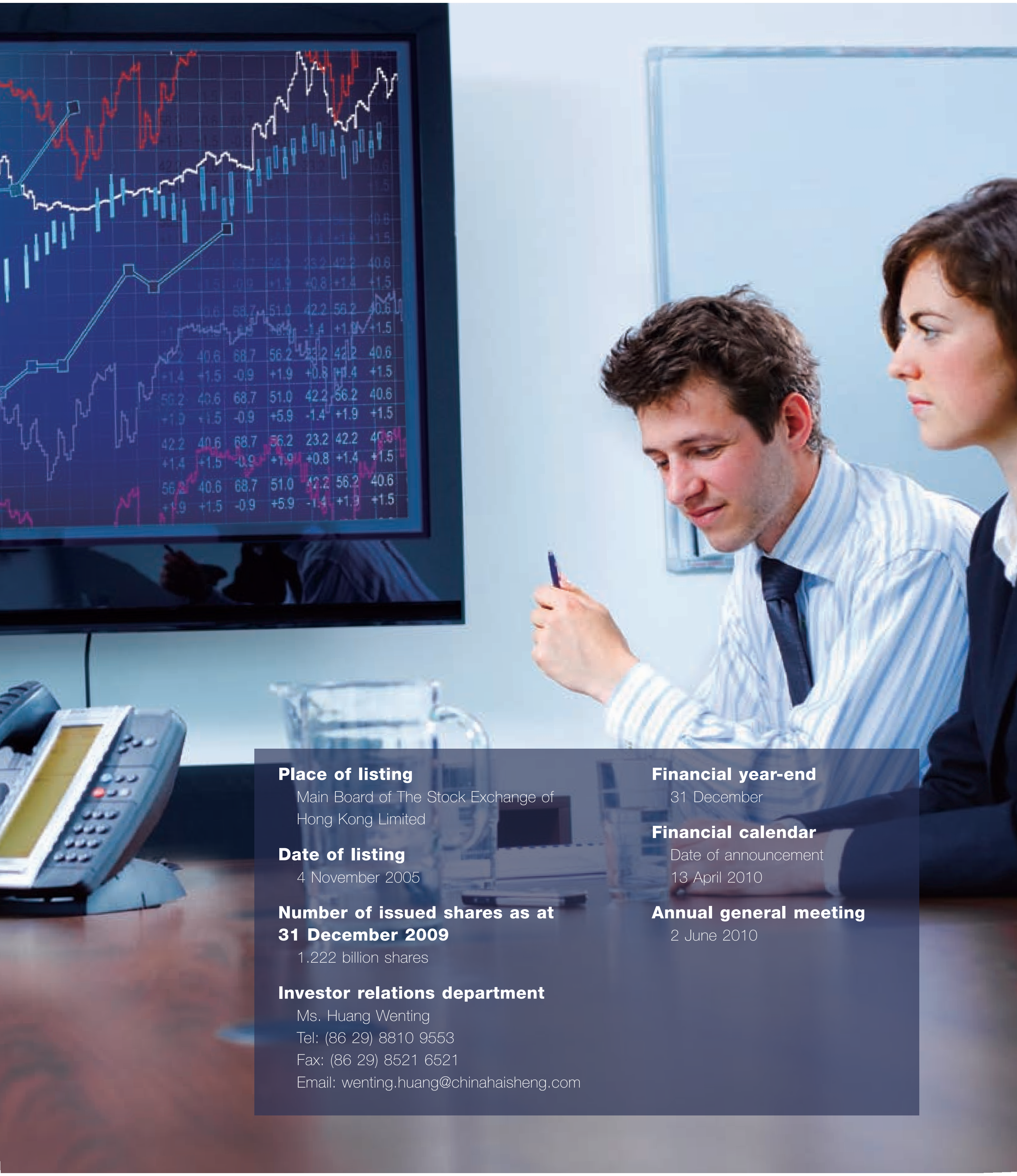
Gross Profit

RMB1,447,143,000

Overall Revenue

LARGE-SCALE

DIVERSIFIED PRODUCTS



Place of listing
Main Board of The Stock Exchange of Hong Kong Limited

Date of listing
4 November 2005

Number of issued shares as at 31 December 2009
1.222 billion shares

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Financial year-end
31 December

Financial calendar
Date of announcement
13 April 2010

Annual general meeting
2 June 2010

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 2009 ("Year Under Review").

The year 2009 was one of historical significance to the apple juice concentrate industry and China's apple juice concentrate industry made its way through twists and turns. In the past few years, the whole industry grew rapidly and business was thriving. To the apple juice concentrate industry, the financial crisis that hit the world in 2008 has led to corresponding adjustments in the industry, turning the industry into a healthier state after the adjustments and enabling competitive companies to seize more advantageous market positions speedily upon stabilization of the economy.

In the past year, with the joint efforts of our staff throughout the Company, Haisheng Juice maintained confidence in going through an extraordinary year of 2009 and in producing a satisfactory sales result. Looking back at the past year, the percentage of the Group's export volume to the total export volume of apple juice concentrate from the PRC increased from 18% in 2008 to 25% in 2009 and was the top in terms of the share in China's apple juice concentrate exports for six consecutive years.

On the financial side, the Group recorded profit attributable to equity holders of the parent of approximately RMB98.1 million, which was substantially improved as compared with the previous year. The Board recommended the payment of a final dividend of RMB2.0 cents per share.

Alongside the stabilization of performance, Haisheng Juice has strengthened quality and safety control and has put in greater efforts on the monitoring of general investigation of pesticide residues to ensure product quality and safety. All these are proofs of our longstanding promise towards product quality and our effective marketing strategies.

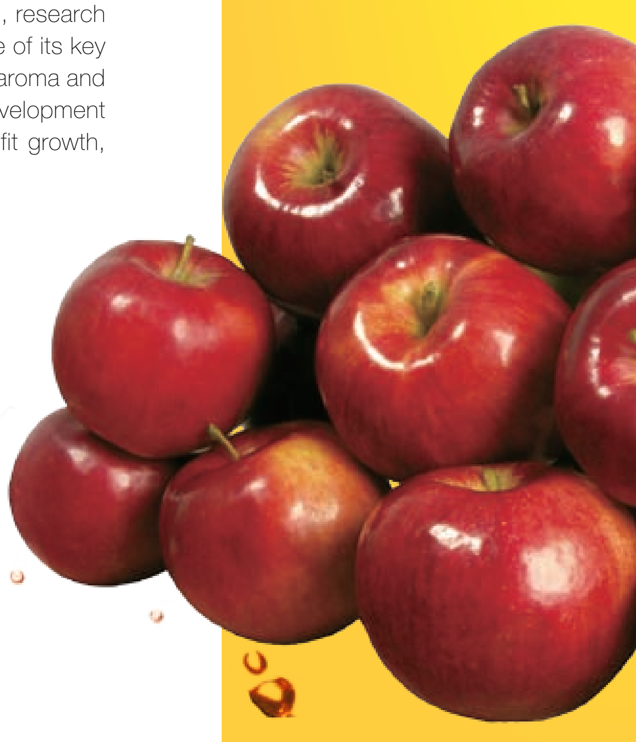
As to the development of markets, the Group has continued to maintain its leading position in the North American market, the largest market of the world, with the percentage of the volume of the Group's export to the North American market to the total export to that market from the PRC increasing from 23% in the previous year to 32%. It has retained its solid presence in the Japanese and European markets. Through vigorous exploration by the sales team, in emerging markets such as the Middle East, South Africa and Asia Pacific, the Company has acquired top position among the exporters of apple juice concentrate in China and market shares have been constantly expanding.

Furthermore, the Group is highly concerned with the growth in demand in the developing countries and the Chinese domestic market. It has been guiding consumer trends, actively promoting and opening up markets as well as cultivating consumer demand for domestic sale. Upon the start of the 2009 pressing season, the Group has continued to maintain its competitive edge of low fruit consumption rate and, in face of the severe economic situation, it has been vigorous in controlling and reducing the costs for all the aspects of sourcing, production, storage and transport. Moreover, it is concerned with performance management and has strived to reduce various types of expenditures. Facing with the economic turmoil, the Group prudently adopted various financial measures during the year under review, including reorganizing loan structure, reducing asset-liability ratio and implementing proactive cash flow management strategies, hence cutting financial expenses and minimizing financial risks, and thus enabling the Group's financial position to become healthier.

My dearest shareholders, Haisheng Juice has been ranked among the top companies of the industry in recent year. Five years ago, Haisheng Juice was listed at the Hong Kong Stock Exchange. With the joint efforts of our staff throughout the Group, we have further consolidated our leading position in the apple juice concentrate market since then. In retrospect, such achievements are of much value to me and I am filled with hope for the future.

Looking forward, the Group aims to build good faith on sincerity and brand name on quality. In order to further increase its competitive edge and market share, alongside the maintenance of its existing sales competitiveness and the guiding of consumer trends, 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 strengthen its efforts on marketing, research and development of fruit juice products and will strive to stabilize the performance of its key products namely apple and pear juice concentrate while enhancing the quality of aroma and expanding the aroma sales market. Meanwhile, it will put greater efforts in the development of new products to enrich its fruit juice lineup with the goal of adding new profit growth, hence lowering corporate business risks and increasing customer dependence.



In terms of the control on raw material sourcing, the Group will continue to reform existing sourcing models and logistics methods to ensure that production needs are met. Meanwhile, it will continue with its active commitments to social responsibilities and will drive promotions and education simultaneously targeting growers in the peripheral regions for the control of pesticide residues, hence ensuring product quality. Besides, the Group will actively continue with the improvement of scientific production management systems to reduce loss and to enhance overall production efficiency. Furthermore, the Group will launch a brand new model for raw material sourcing and logistics, and maintain the best output-to-input ratio by altering cost structure, reducing packaging cost as well as lowering redundancy and wastes in the entire supply chain.

Meanwhile, the Group will continue to inject resources in the research and development of new products and core technologies in order to maintain our advantages in the industry not merely in terms of production but also the building of capabilities extended in our own products and services.

Let me extend my appreciation to our shareholders and customers for their unwavering support to Haisheng Juice and my heartfelt thanks to our management team and staff for their excellent performance. Despite the business difficulties of the whole industry this year, the Group's leading market shares, high-quality client groups, distinguished product quality and outstanding production management systems stayed intact. With their endeavor and dedication, the Group was still able to maintain robust growth. Our staff throughout the Company is even the most valuable asset of Haisheng Juice. 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, 13 April 2010

RMB98,100,000

profit attributable to owners of the Company

RMB382,865,000

Gross Profit

WE PROTECT YOUR

INTEREST AND VALUE

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

In 2009, the economy of China resisted the devastating impacts of the global financial crisis and took the lead to recover from the world's economy. In terms of apple juice concentrate industry, after experiencing fast growth over the past 10 years, the financial crisis triggered a structural adjustment to the juice concentrate industry where more competitive and sizable industry leaders took a more favorable position upon economic recovery and geared up for better growth alongside with the emerging markets, particularly from the growth of domestic demand in China.

Currently, the top three export countries of apple juice concentrate of China in terms of volume are the US, Germany and Russia. The US is a crucial market of China's juice concentrate exports. With the faster recovery of the US economy and higher profit margin of exports to the US, many enterprises have pushed ahead their development towards the US market.

In 2009, the descending export price of juice concentrate of China affected the profitability of the industry. Leverage on economies of scale, higher bargaining power, risk resistance and a stable customer base, large-scale enterprises performed more satisfactorily under such challenging environment.

At the same time, as the major apple production regions in and outside China have maintained stable production in recent years, whilst the demand from markets like the US is picking up again, along with the increase in demand from emerging markets like South Africa and Russia, the export price of juice concentrate of China is on the rise.

FINANCIAL REVIEW

Capitalizing on a comprehensive market network and good reputation, as well as its reliable quality assurance, Haisheng Juice has grown quickly into the leader of the apple juice concentrate industry in China, outperforming its peers in 2009 when the effects of financial crisis lingered, and has continued to maintain its position as the largest juice concentrate exporter in China.

For the financial year ended 31st December, 2009, the Group recorded a decrease in revenue by 14.8% to approximately RMB1,447.1 million. Such decrease was mainly attributable to the decrease in the selling price of the apple juice concentrate and related product of the Group as the major markets of the Group including North America and Europe experienced economic downturn. To cope with that, the Group put additional effort on marketing, the sales volume of the Group has increased by 57.3% during the year under review which net off part of the adverse effect of the decrease in selling price. The gross profit margin of the Group dropped from 28.1% in 2008 to 26.5% in 2009.

Distribution and selling costs during the year under review amounted to approximately RMB179.2 million, representing an increase of approximately 21.0%. The increase in distribution and selling costs were attributable to the increase in sales volume and, in turn, increase in freight charges.

Administrative expenses decreased by 24.8% to approximately RMB70.6 million. The decrease in administrative expenses was mainly attributable to the increase in management efficiency and in expense control power, and to the decrease in share-based payments related to options granted in 2008.

Other expense increased by 927.7% to approximately RMB12.3 million. The increase in other expenses was mainly attributable to intangible assets impairment of approximately RMB10.6 million.

Other income increased by 94.0% to approximately RMB9.1 million which mainly included subsidies from the PRC government of approximately RMB3.7 million.

Other gains and losses amounted to a credit of approximately RMB4.8 million in 2009 as against a debit of approximately RMB191.9 million in 2008 as a gain from changes in fair value of derivative financial instrument amounted to approximately RMB11.6 million was recognised in 2009 while a loss from that amounted to approximately RMB191.1 million was recognised in 2008.

Finance cost of the Group amounted to approximately RMB54.8 million during the financial year ended 31st December, 2009, representing a decrease of 39.1%, which was attributable to the decrease in interest rate, decrease in monthly average loan balance and recognition of an interest subsidy from the PRC government amounted to approximately RMB7.8 million in 2009.

The Group has attained an audited profit attributable to equity holders of the parent of approximately RMB98.1 million for the financial year ended 31st December, 2009, as against the audited loss attributable to equity holders of the parent amounting to approximately RMB59.1 million in 2008.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

As at 31st December, 2009, the Group's borrowings amounted to approximately RMB1,068.2 million (2008: RMB1,299.2 million), among which, approximately RMB655.6 million were secured by way of charge of the Group's assets and approximately RMB150.2 million were denominated in US dollars while approximately RMB918.0 million were denominated in RMB. The maturity profile of the Group's borrowings is set out below:

	As at 31 December	
	2009	2008
Repayable:	**RMB'000**	RMB'000
On demand or within one year	**499,938**	778,564
Over one year	**568,282**	520,684
Total borrowings	**1,068,220**	1,299,248

The total equity of the Group increased from approximately RMB804.9 million as at 31st December, 2008 to approximately RMB900.6 million as at 31st December, 2009. Such increase was attributable to the profit 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, decreased from approximately 72.1% as at 31st December, 2008 to 66.7% as at 31st December, 2009. Debt to equity ratio, defined as total borrowings divided by total equity, slightly decreased from approximately 1.6 times as at 31st December, 2008 to 1.2 times as 31st December, 2009.

The treasury policy of the Group is centrally managed and controlled at the corporate level. As of 31st December, 2009, 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.

PLEDGE ON ASSETS

The Group has pledged property, plant and equipment, prepaid lease payments, pledged bank deposits and inventories with the aggregate carrying amount of approximately RMB599.8 million (2008: RMB851.9 million) as security of the Group's borrowings.

The Group's equity interests in certain subsidiaries have been pledged to secured bank and other borrowings.

As at 31st December, 2009, the bank borrowings of RMB55 million (2008: RMB40 million) are guaranteed by a director of the Company, Mr. Liang Yi. As at 31 December 2008, bank borrowings of RMB40 million was guaranteed by another director of the Company, Mr. Gao Liang. In addition, as at 31st December, 2008, 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.

As at 31st December, 2008, in order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB150 million, the Group pledged the 99.6% equity interest of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("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. Mr. Gao Liang and his spouse also provided the personal guarantee to a bank to guarantee the bank borrowings of RMB80 million.

BUSINESS REVIEW

As of 31st December, 2009, 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 and standardized production facilities purchased from abroad. Superior management system comprising a team of 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 regulated management, sufficient raw material supply and strong sales team and marketing functions, the Group was able to expand its market share in a move of market expansion and maintain its leading position in the industry in China.

Efficient production:

During the year under review, under the principle of "Be a great person and Be a great enterprise", the Group ensured product quality and safety through the implementation of a set of strict product inspection measures on the one hand, and actively enhanced the transparency in the course of production by active checks on the certifications from various parties like the regulatory authorities and product purchasers. Various quality certifications namely HCCP and ISO9002 are evident of our confidence on the quality of our own products and embody our determination to contribute to the industry. Meanwhile, the Group stepped up its R&D and promotion efforts on product diversification and juice types to offer higher quality, more nutritious and safer juice concentrate to the market. Based on the statistics released by China Customs as at the end of the period under review, the Group is the largest Chinese exporter of apple juice concentrate in terms of volume, accounting for 25% of the market share and the largest producer and distributor of clear apple juice concentrate, clear pear juice concentrate and apple aroma in China.

Procurement and product safety:

In order to ensure product quality and safety, the Group further strengthened the development and supervision of product quality control system in adherence to the principle of "Big Brand; Big Responsibilities". In reinforcing the management over quality control and pushing ahead the general pesticide residues detection and promotion, the Group, on the one hand, expanded the scope and region of pesticide residues detection, on the other hand established secondary agent sourcing points to ensure the quality of raw materials purchased. The Group also imposed stricter supervision to ensure a high standard of quality for raw materials and products, and enforced stronger inspection and quality control over raw materials and various production processes.

In respect of production and operation, the Group stepped up its refined management through improving the operational assessments and rolling out a number of effective control measures to monitor various production processes around the clock. It also set up a stringent inspection system for each production key control point to ensure that the resultant products are in line with the standards. Our scientific and modern management and high level of accountability gained us the confidence from various parties.

Brand building and product promotion:

The Group does not have an end-user platform for its products and is not widely recognized in the consumer market. However, in terms of the relationship with customers and business partners, as a global brand leader of apple juice concentrate, we have established strategic cooperation relationship with a number of well-known brand purchasers. While setting foot in the apple juice concentrate market, we endeavor to engage in experience exchange and technology cooperation to accelerate the R&D of product diversification and explore other means of cooperation to achieve closer cooperation and win-win condition.

In term of product promotion, in maintaining its existing market position, the Group expanded its market share during the year under review, meanwhile attained significant breakthrough and progress in the expansion of emerging markets. Facing the enormous demand from the domestic market in China, in addition to maintaining its leading position in the existing developed markets, the Group also attached great importance to the speedy growth of domestic market and was active in exploring opportunities to cooperate with the domestic juice and drinks manufacturers. Apart from the traditional markets in North America and Europe, our sales team also established its presence in Japan and emerging markets such as Australia, South Africa and Arabia. As for our products, leverage on its comprehensive and diversified market network and sound relationship with customers and business partners, the Group not only continued to record strong sales in the traditional of apple juice concentrate segment, but also achieved breakthroughs in the growth strategies of product diversification during the year under review where the flavor and quality of small variety juice were recognized by our customers and business partners. Diversification of small variety fruit products can avoid market risk arising from the over-reliance on a single product and increase customer's loyalty to the Company. At the same time, our reliance on internationally-renowned customer base is favorable to stabilizing our profitability and ensuring recovery of receivables.

Quality control:

The Group is meticulous towards its product quality and maintains a high level of standard. It adopts stringent control over various segments from raw materials, processing, and products to end-user sales. As the global and domestic markets place more emphasis on food safety, the Group has established an inspection laboratory for each of its plants, as well as executed upgrade to the existing inspection facilities and purchased state-of-the-art pesticide residues detection devices to ensure product quality and safety. Product samples and inspection results are regularly sent to international-renowned third-party laboratories namely Sino Analytica and GFL for control tests to ensure the competitiveness and accuracy of our inspection results. The Group attaches great importance to product quality and food safety, which is crucial to fortifying our market image with high quality products.

Financial structure adjustment and reform:

During the year under review, the Group continued to improve its financial structure and restructured the proportion of borrowings, which lowered the gearing ratio and further reduced the operational risks exposed to the Group. At the same time, the Group adjusted the proportion of long-term and short-term borrowings, resulting in a more reasonable structure of borrowings, which effectively reduced the repayment pressure on the Group. In addition, leverage on the good credit history established with the domestic and overseas banks over the years, the Group was able to lower the percentage of secured loans whilst increase the percentage of credit loans. The Group took the initiatives to enter into secured loans agreements with fruit farmers in the procurement of resources, which not only reduced the pressure on payment for procurement of raw materials, but also provided a guaranteed financing channel to the fruit farmers. This helped foster a closer and practical relationship with the fruit farmers. Through the restructuring of the above interest-bearing liabilities, coupled with the management over accounts payable and receivable turnover ratios, the Group was able to maintain a sound and adequate cash position.

Human resources and remuneration:

In order to satisfy the demand for quality personnel as a result of our strategic transition and business expansion, the Group made the following achievements in the development of organizational capabilities:

– Formulated a promotion model and applied in our recruitment and performance assessment; and implemented the key performance indicator systems across the Group;

– Successfully engaged several managers and professionals with multi-national corporation experience; strengthened the organizational capabilities of our headquarters and various branches and subsidiaries;

– Implemented training on leadership and management skills; enhanced the management ability of management personnel of each level;

– Organized a series of trainings on occupational abilities and professional skills; enhanced the abilities of ground level staff;

CORPORATE SOCIAL RESPONSIBILITIES

The Group takes an active role in fulfilling its social responsibilities and endeavors to initiate the industry standards of production systems. It has, therefore, set up a set of inspection control procedures for qualified systems in respect of each industry chain and then introduce to its industry peers. In terms of raw materials, it has pushed ahead the control and inspection over pesticide residues and heavy metals; formulated and published the outline on pesticide residues control; and defined the requirements on sampling, random sampling and inspection, pursuant to which the plants shall refine its respective pesticide residues control proposals based on the outline requirements. It has also carried out education and promotion in the surrounding procurement areas and raised the awareness of "diversified" (一幫多) farming among fruit farmers in an effort to improve the current condition of raw material plantation. Besides, the Group places much emphasis on environmental protection and aims to save energy, reduce consumption, realize clean production and strictly control sewage discharge by strengthening the control over the key production segments. The Group has also actively cooperated with the surrounding government and environmental protection authorities to promote the scientific and environmental-friendly production model, and highlight food hygiene across the industry.

PROSPECT AND FUTURE STRATEGIES

Looking ahead, the Group believes that with the rising price of apple juice, demand from the international market, particularly the developed countries including North America and Europe, will remain stable in general and grow steadily; whilst the demand for apple juice from emerging markets will continue to increase. However, as the spending habit is formed relatively short, the demand for apple juice will be contained as the price of apple juice concentrate increases. As for China, the demand for apple juice will continue to grow as the increase in the level of income across China is a catalyst that drives the change in spending habit. The Group considers that, leverage on its advanced production facilities; innovative technologies and processes; scientific and effective production and management; comprehensive and refined cost control; optimal human resources system; efficient marketing strategies; strong sales team; and stringent financial management system and procedures, our operational management efficiency and return on investment will continue to grow. The Group will capitalize on market opportunities in a timely manner and turn challenges into opportunities, expand market share, accelerate industry integration, enhance profitability and consolidate its industry leading position with a view to strengthening the Group's competitive strengths. Facing the challenges and opportunities arising from the future integration of the apple juice concentrate industry in China, the Group is confident that it, as a long-standing industry leader, will lead on the sound and systematic development of the apple juice concentrate industry in China leverage on its strong production and R&D capabilities, large-scale production and stringent quality control.

Over the past ten years, our apple juice concentrate competitors have subsequently expanded their production plants to increase production capacity and output, which in turn has made China the world's largest exporter of apple juice concentrate. Unlike other industry peers, although the Group is ranked first in the industry in terms of production capacity and output, the Group aims to further expand its production capacity and output to conquer the market due to the keen competition in the fresh fruits market and under-utilization as a result of insufficient squeeze fruit resources (榨汁果資源). The old layout is not applicable to the new plants as it will intensify resources competition and result in a vicious circle. The Group will endeavor to pursue acquisition and merger in the industry and continue to expand the production capacity amid fiercer competition for raw materials so as to further consolidate and expand the market share. The global economic crisis, in a way, has eliminated those competitors with lower profitability in the course of industry integration and accelerated the integration of the industry as a whole. This will, in turn, help strengthen concentration and minimize vicious competition to achieve thriving growth in the industry, which is what the Group has been striving for as the industry leader.

INNOVATIVE RAW MATERIALS PROCUREMENT MODEL TO ENHANCE COMPETITIVENESS

To maintain effective control over the price of raw materials and ensure the supply and quality of raw materials, the Group will further improve and restructure the model of raw materials supply. In stepping up its efforts of inspection on pesticide residues and heavy metals and ensuring compliance with the raw materials standards, the Group has been actively seeking new procurement models to ensure raw materials supply by: i) continuing to cooperate with large sourcing agent with high level of marketization and maintaining its existing supply model; ii) establishing the Group's own procurement network to minimize the intermediary procedures and intermediary costs; and iii) promoting the establishment of secondary agent sourcing points and implementing quality certification of secondary agent sourcing points and ensuring exclusive supply to the Group, meanwhile further enhancing the financing and servicing abilities of secondary agent sourcing points; and developing such agent sourcing points as the spokesperson of the Group in various apple production areas. Reform on the above procurement model will enhance the Group's bargaining power on raw materials, ensure the quality and quantity of raw material fruits and result in efficient production. The Group will also strengthen the market analysis and procurement decision-making of raw materials, establish practical relationship with fruit farmers, ensure the interests of various parties and stabilize the price of raw materials to allow more scientific and reasonable procurement of raw materials and more regulated and systematic production, and to control and stabilize the costs of production, allowing it to have a competitive advantage over the selling price.

EFFICIENT AND QUALITY PRODUCTION THROUGH PUSHING AHEAD ITS OWN R&D

In the pressing season of 2009/2010, the Group will continue to increase utilization rate and fully release its production capacity to effectively implement mass production. The Group will also reinforce the control over key points: strengthen the discussion and research on technologies and processes with the plants and promote the successful stories of each plant; study ways to enhance the quality of raw materials and enhance product quality through utilizing production technologies; establish cost screening and cost control platform; strengthen the research on production plans and conduct integrated analysis from the market, logistics, production and financial perspectives. The Group will step up the R&D and production of apple aroma products, implement standardized production on such value-added products, enhance quality and yield to generate more returns to the Group. At the same time, the Group will continue to strengthen and quantify the online quality control system, monitor the overall supply chain on a real-time basis and endeavor to implement cost control measures to achieve higher the input/output ratio.

The Group will push ahead the R&D and innovation efforts of new products according to market demand and strengthen the technology exchange and cooperation with customers and business partners to satisfy the requirements on standards and tastes. In developing new products, the Group will further increase production efficiency and ensure the stability in product quality and ongoing innovation capabilities.

COMPREHENSIVE FINANCIAL STRUCTURE AND COST CONTROL

To cope with economic uncertainties and ensure our industry competitive advantages, the Group will step up its cost control efforts and take a close check in every segment ranging from production, procurement and management. In ensuring product quality, the Group strives to minimize redundancy and wastage to further reduce the costs of production. The Group has also regulated the internal audit system, optimized the Group's quality management system and carried out supervision and objective appraisal on the operational systems of the plants. At the same time, the Group will implement the occupational health and safety management system in compliance with OHSAS18001:2007 across the Company, establish an Occupational Health and Safety Management System promotion committee led by the general manager and engage the head of Environment, Health and Safety department in each plant; and enhance the overall environment, health and safety management level of the Company.

To tie in with the implementation of cost control, the financial system will further develop and improve the standard assessment system of the plants, make assessment on various expenses incurred in the plants and the headquarters from budgeting to implementation, make forecast and post investigation and follow-up, strengthen forecast on unexpected events and uncertainties, facilitate refined management and integration of various systems of production management and maximize the financial participation in production, procurement, sales and logistics with a view to providing useful information and reference for the decision-making of management and various function departments.

SALES AND MARKETING AND STRATEGIC DECISIONS

As for our market share, the Group will continue to strengthen its marketing efforts to expand market share and consolidate its leading position on the basis of its existing comparative advantages. In addition, it will push ahead the development of emerging markets including the Middle East, Africa and Australia that pose enormous growth potentials and closely monitor and expand the fast-growing domestic market. In enhancing production efficiency and reducing costs of production, the Group will capitalize on effective expansion strategies to increase the market share. Moreover, strategically speaking, the Group will consider deeper integration of the industry's internal resources, improve the unorderly competition structure in the industry and strengthen industry concentration. On the other hand, capitalizing on the existing market share, the Group will fortify cooperation with major customers and business partners, whilst continue to monitor market demand and industry growth trends, diversify product portfolio and improve and optimize the supply chain, so as to enhance the profitability of the Company, diversify product risks, expand the source of income, enhance and consolidate the Group's market leading position, as well as to ensure the stability in the price and production output across the industry in an effort to facilitate the sound and positive development of the apple juice concentrate industry in China.

BOOK CLOSURE

The register of members of the Company will be closed from 27th May, 2010 to 2nd June, 2010 (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, Computer share 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 26th May, 2010.

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 31st December, 2009.

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 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. Lo Wai Tat Andrew), 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 31st December, 2009 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 49, 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 completed the Global CEO Programme organized by China Europe International Business School. 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 50, 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 Dalianin 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 completed the EMBA Programme organized by China Europe International Business School. He joined the Group in 1994.

Ms. Zhu Fang (朱芳), aged 41, 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 graduated from China Europe International Business School with an EMBA degree in 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.

Ms. Wang Xuemei (汪雪梅), aged 35, is the administrative deputy general manager of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.. 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 graduated from China Europe International Business School with an EMBA degree in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Boxiang (趙伯祥), aged 65, 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. Li Yuanrui (李元瑞), aged 68, 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).

Mr. Lo Wai Tat Andrew (盧偉達), aged 37, was appointed as an independent non-executive Director in September 2009. Mr. Lo holds a Bachelor of Business Administration degree in Accountancy and is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Mr. Lo had previously assumed positions of audit manager of an international accounting firm and vice chief financial officer of a company listed on the Stock Exchange. Mr. Lo has over 15 years of financial management and audit experience.

SENIOR MANAGEMENT

Ms. Liu Li (劉麗), aged 36, 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 graduated from China Europe International Business School with an EMBA degree in 2007.

Mr. Li Bing (李兵), aged 37, 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 38, 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 "Code"). 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 FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for 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 2009.

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)* (retired on 4 May 2009)	1/1
Ms. Zhu Fang *(Chief Financial Officer)*	4/4
Ms. Wang Xuemei *(Administrative Deputy General Manager)* (appointed on 4 May 2009)	3/3
Independent non-executive Directors	
Mr. Zhao Boxiang	4/4
Mr. Yim Hing Wah (ceased on 14 July 2009)	3/3
Mr. Li Yuanrui	4/4
Mr. Lo Wai Tat Andrew (appointed on 30 September 2009)	1/1

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 reelection 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. Lo Wai Tat Andrew. 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 2009 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 (ceased on 14 July 2009)	1/1
Mr. Li Yuanrui	2/2
Mr. Lo Wai Tat Andrew (appointed on 30 September 2009)	0/0

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 and qualification of Directors, general market conditions and the Articles of Association in selecting and recommending candidates for directorship. All the executive Directors and independent non-executive Directors have attended the meeting.

During the meeting, the Board considered and resolved that all existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Articles of Association, Mr. Gao Liang, Mr. Liang Yi, Mr. Zhao Boxiang and Mr. Lo Wai Tat Andrew 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 RMB1.0 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. Lo Wai Tat Andrew, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Lo Wai Tat Andrew.

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 (ceased on 14 July 2009)	1/1
Mr. Li Yuanrui	2/2
Mr. Lo Wai Tat Andrew (appointed on 30 September 2009)	0/0

The Group's audited annual results for the year ended 31 December 2009 and the unaudited interim results for the six months ended 30 June 2009 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 39 to 40.

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 issues 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 annual 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 2009.

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 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 41 of this annual report. The Board recommended the payment of a final dividend of RMB2.0 cents per ordinary share to shareholders of the company for the year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure of RMB37.2 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 2009 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 RMB613 million as at 31 December 2009 (excluding the accumulated losses arising from fair value change on derivative financial instruments of RMB179 million). 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 under review were:

Executive Directors:
Mr. Gao Liang *(Chairman)*
Mr. Liang Yi
Mr. You Yong (retired on 4 May 2009)
Ms. Zhu Fang
Ms. Wang Xuemei (appointed on 4 May 2009)

Independent non-executive Directors:
Mr. Yim Hing Wah (ceased on 14 July 2009)
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Lo Wai Tat Andrew (appointed on 30 September 2009)

Pursuant to the Articles of Association, Mr. Gao Liang, Mr. Liang Yi, Mr. Zhao Boxiang and Mr. Lo Wai Tat Andrew 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 24 to 25 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.

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 and Mr. Lo Wai Tat Andrew have entered into letter of appointment with the Company for an initial term of three years commencing from 19 January 2007 and 30 September 2009 respectively.

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 nonexecutive 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.

The detail of the options granted were as follows:

Date of grant	Exercise price	Vesting period	Exercise period	Number of options outstanding as at 1 January 2009	Lapsed during the year	Number of options outstanding as at 31 December 2009
3 March 2008	HK$2.012	3 March 2008 to 2 March 2009	3 March 2009 to 2 March 2013	17,360,000	(1,642,000)	15,718,000
3 March 2008	HK$2.012	3 March 2008 to 2 March 2010	3 March 2010 to 2 March 2013	6,520,000	(250,000)	6,270,000
			Total	23,880,000	(1,892,000)	21,988,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, 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	459,061,238 Shares (note 1)	37.56%
Mr. Liang Yi	The Company	Trustee	49,299,600 Shares (note 2)	4.03%
		Beneficial owner	59,156,782	4.84%
Ms. Zhu Fang	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (note 3)	Beneficial owner	180,000 Shares	0.097%
	The Company	Beneficial owner	8,438,160 Shares	0.69%
Ms. Wang Xuemei	The Company	Beneficial owner	4,219,080 Shares	0.35%

Notes:

1. As at 31 December 2009, the 459,061,238 Shares were held by Think Honour International Limited ("Think Honour"), 80% of the issued share capital of which was held by Mr. Gao Liang, Accordingly, Mr. Gao Liang was deemed to be interested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2009, the 49,299,600 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 657 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 49,299,600 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 2009, 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 2009, 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	459,061,238 Shares (Note 1)	37.56%
Goldman Sachs & Co.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 2)	20%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	244,440,000 Shares (Note 2)	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	49,299,600 Shares (Note 3)	4.03%

Notes:

1. 80% of the issued share capital of Think Honour was held by Mr. Gao Liang.

2. 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.

3. The entire issued share capital of Raise Sharp is help by Mr. Liang Yi on trust for 657 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 2009:

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 2009.

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 49% of the Group's total turnover and the largest customer accounted for approximately 13% of the Group's total turnover for the year 2009. The five largest suppliers accounted for approximately 16% of the Group's total purchases and the largest supplier accounted for approximately 3% of the Group's total purchases for the year 2009.

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 2009 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 2009.

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, 13 April 2010

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 41 to 86, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

INDEPENDENT AUDITOR'S REPORT

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 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	7	**1,447,143**	1,697,861
Cost of sales		**(1,064,278)**	(1,220,706)
Gross profit		**382,865**	477,155
Other income	8	**9,099**	4,690
Other gains and losses	9	**4,825**	(191,880)
Distribution and selling expenses		**(179,240)**	(148,153)
Administrative expenses		**(70,639)**	(93,953)
Other expenses		**(12,322)**	(1,199)
Finance costs	10	**(54,751)**	(89,845)
Profit (loss) before taxation		**79,837**	(43,185)
Income tax expense	11	**13,853**	(15,652)
Profit (loss) for the year	12	**93,690**	(58,837)
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		**–**	(1,024)
Other comprehensive expense for the year		**–**	(1,024)
Total comprehensive income (expense) for the year		**93,690**	(59,861)
Profit (loss) for the year attributable to:			
Owners of the Company		**98,100**	(59,140)
Minority interests		**(4,410)**	303
		93,690	(58,837)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**98,100**	(60,164)
Minority interests		**(4,410)**	303
		93,690	(59,861)
Earnings (loss) per share, basic (RMB cents)	15	**8.03**	(4.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,341,708**	1,398,163
Prepaid lease payments	17	**46,014**	44,956
Intangible assets	18	**–**	12,177
		1,387,722	1,455,296
CURRENT ASSETS			
Inventories	19	**1,077,396**	1,102,618
Trade and other receivables	20	**177,487**	228,407
Tax recoverable		**472**	–
Pledged bank deposits	21	**12,692**	25,616
Bank balances and cash	21	**49,436**	69,874
		1,317,483	1,426,515
CURRENT LIABILITIES			
Trade and other payables	22	**529,410**	540,978
Bills payables	22	**21,140**	35,500
Tax liabilities		**–**	3,962
Dividend payable to minority shareholders of a subsidiary		**237**	237
Bank and other borrowings – due within one year	23	**499,938**	778,564
Derivative financial instrument	24	**–**	191,104
Other financial liability	24	**179,467**	–
		1,230,192	1,550,345
NET CURRENT ASSETS (LIABILITIES)		**87,291**	(123,830)
		1,475,013	1,331,466
CAPITAL AND RESERVES			
Share capital	25	**12,715**	12,715
Reserves	27	**872,385**	772,275
Equity attributable to equity holders of the parent		**885,100**	784,990
Minority interests		**15,482**	19,892
Total equity		**900,582**	804,882
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	23	**568,282**	520,684
Deferred tax liabilities	28	**6,149**	5,900
		1,475,013	1,331,466

The consolidated financial statements on pages 41 to 86 were approved and authorised for issue by the Board of Directors on 13 April 2010 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 2009

	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 owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	12,715	159,434	–	258,722	594	75,699	349,654	856,818	19,885	876,703
Loss for the year	–	–	–	–	–	–	(59,140)	(59,140)	303	(58,837)
Exchange difference arising on translation of foreign operations	–	–	–	–	(1,024)	–	–	(1,024)	–	(1,024)
Total comprehensive 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 recognised on distribution (note 14)	–	–	–	–	–	–	(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
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	98,100	98,100	(4,410)	93,690
Recognition of equity-settled share-based payments	–	–	2,010	–	–	–	–	2,010	–	2,010
Appropriated from accumulated profits	–	–	–	–	–	17,258	(17,258)	–	–	–
At 31 December 2009	12,715	159,434	14,790	258,722	(430)	110,449	329,420	885,100	15,482	900,582

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 **RMB'000**	2008 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**79,837**	(43,185)
Adjustments for:		
Allowances for inventories	**3,258**	5,191
Reversal of allowance of inventories	**(5,191)**	–
Depreciation and amortisation	**81,275**	74,162
Finance costs	**54,751**	89,845
Impairment loss on intangible assets	**10,599**	–
Interest income	**(1,249)**	(1,681)
Fair value change on derivative financial instrument	**(11,637)**	191,104
Net loss on disposal of property, plant and equipment	**4,689**	903
Share-based payment expense	**2,010**	12,780
Release of prepaid lease payments	**953**	911
Operating cash flows before movements in working capital	**219,295**	330,030
Decrease in inventories	**27,155**	327,020
Decrease in trade and other receivables	**51,436**	39,990
Increase (decrease) in trade and other payables	**35,422**	(94,134)
Decrease in bills payables	**(14,360)**	(27,885)
Cash generated from operations	**318,948**	575,021
Income tax paid	**(3,267)**	(21,655)
Income tax refunded	**12,935**	–
NET CASH FROM OPERATING ACTIVITIES	**328,616**	553,366
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(84,147)**	(227,581)
Prepaid lease payments	**(2,527)**	(268)
Interest received	**1,249**	1,681
Proceeds on disposal of property, plant and equipment	**9,226**	560
Addition in pledged bank deposits	**(96,653)**	(85,677)
Release of pledged bank deposits	**109,577**	109,287
NET CASH USED IN INVESTING ACTIVITIES	**(63,275)**	(201,998)
FINANCING ACTIVITIES		
Repayments of bank and other borrowings	**(731,028)**	(1,492,450)
Interests paid on bank and other borrowings	**(54,751)**	(89,845)
New bank and other borrowings raised	**500,000**	1,302,700
Dividend paid	**–**	(37,017)
Dividend paid to the minority shareholders of a subsidiary	**–**	(59)
NET CASH USED IN FINANCING ACTIVITIES	**(285,779)**	(316,671)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(20,438)**	34,697
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**69,874**	35,177
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**49,436**	69,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised 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 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment revenue and segment profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

New and revised IFRSs in issue not yet adopted

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)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[6]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with the 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 statement of comprehensive income 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 the combination. Losses applicable to the minority in excess of the minority 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 on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. 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 subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account 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 profit or loss in the period 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. 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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses (if any), 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 statement of comprehensive income when the asset is derecognised.

Impairment losses on tangible and intangible assets with finite useful lives

At the end of the reporting period, 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. 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. An impairment loss is 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 immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and, it is probable that the Group will be required to settle the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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 statement of comprehensive income 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 end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 at the end of reporting period, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulate in equity (the translation reserve).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

Operating lease payments are recognised as an expense on a straight-line basis over the terms 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 terms 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 contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 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 to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 the end of the reporting period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loan and receivables (Continued)

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 30 – 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities other than derivative financial instruments

The Group's financial liabilities other than derivative financial instruments, including trade and other payables, bills payables, dividend payable to minority shareholders of a subsidiary and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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 end of the reporting period. 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 in other comprehensive income 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.

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 end of the reporting period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Allowance for inventories

The management of the Group reviews the aging of the inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realizable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of inventories is RMB1,077,396,000 (2008: RMB1,102,618,000) (net of allowance for inventories of RMB3,258,000 (2008: RMB5,191,000)).

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. As at 31 December 2009, the carrying amount of trade receivables is RMB60,211,000 (2008: RMB107,468,000) (net of allowance for doubtful debts of RMB5,386,000 (2008: RMB9,640,000)).

5. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**129,948**	214,376
Financial liabilities		
Amortised cost	**1,780,607**	1,767,635
Derivative financial instrument	**–**	191,104

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, dividend payable to minority shareholders of a subsidiary, bank and other borrowings, derivative financial instruments and other financial liability. Details of these 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"). As at 31 December 2008, 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**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
USD	**178,071**	313,034	**44,037**	58,710

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

6b. 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 positive number below indicates an increase in post-tax profit/decrease in post-tax loss where RMB strengthen 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit/loss.

	2009 RMB'000	2008 RMB'000
Profit/loss for the year	**2,978**	9,537

As at 31 December 2008, for sensitivity analysis on the outstanding foreign exchange structured currency swaps, there would be an increase in the post-tax loss by approximately RMB141,671,000 (2009: nil) 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 and pledge bank deposits (see notes 23 and 21 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances (see notes 23 and 21 for details) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would decrease/increase by RMB563,000 (2008: post-tax loss would increase/decrease by RMB3,704,000). This is mainly attributable to the Group's exposure to the fluctuation of London Interbank Off Rate ("LIBOR") on its variable-rate bank borrowings.

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's result for 2009 and 2008 is not significant.

Credit risk

As at 31 December 2009, 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 and financial guarantees provided by the Group is arising from:

- carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 34.

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 end of the reporting period 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 2009, five customers accounted for approximately 68% (2008: 48%) of the Group's trade receivables. The five customers are located at United States of America. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 78% (31 December 2008: 44%) of the total trade receivable as at 31 December 2009. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with good reputation. The Group does not have other significant concentration of credit risk on trade and other receivables.

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 2009, the Group has available unutilised banking facilities of approximately RMB287 million (2008: RMB180 million).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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. To extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at end of the reporting period.

2009

	Weighted average effective interest rate %	Less than 1 month or on demand 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 31.12.2009 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	467,917	–	43,626	–	511,543	511,543
Other financial liabilities	–	179,467	–	–	–	179,467	179,467
Bills payables	–	1,350	–	19,790	–	21,140	21,140
Dividend payable to a minority shareholders of a subsidiary	–	237	–	–	–	237	237
Bank and other borrowings							
– fixed-rate	5.2	–	42,080	326,752	597,833	966,665	918,000
– variable-rate	3.5	–	–	155,478	–	155,478	150,220
Financial guarantee contracts	–	88,140	–	–	–	88,140	–
		737,111	42,080	545,646	597,833	1,922,670	1,780,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2008

	Weighted average effective interest rate %	Less than 1 month or on demand 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
Dividend payable to a minority shareholders of a subsidiary	–	237	–	–	–	237	237
Bank and other borrowings							
– fixed-rate	6.9	17,670	94,072	221,283	–	333,025	311,530
– variable-rate	6.2	31,860	123,089	295,511	598,497	1,048,957	987,718
		378,083	297,651	576,138	598,497	1,850,369	1,767,635
Derivative-net settlement							
Foreign exchange structured currency swaps		3,524	7,048	31,716	155,052	197,340	191,104

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. According to the financial guarantee contracts, the Group has legal right to offset the full guaranteed amount against trade payables to its suppliers whom the Group guaranteed (see note 34 for details). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. 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; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. REVENUE AND SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was geographical segment.

The board of directors regularly reviews revenue by locations of customers including North America, Russia, Europe, Australia, Asia and others and the consolidated statements of comprehensive income to make decision about resources allocations. Profit for the year is the segment profit reviewed by the board of directors. As no other discrete financial information is available for the assessment of performance of its business, no segment information is presented other than entity-wide disclosure.

The Group is principally engaged in manufacture and sales of fruit juice concentrate and related products. About 95% (2008: 95%) of revenue are generated from apple juice concentrate and related products.

Geographic information

The Group's operations are located in PRC.

The Group's revenue from continuing operations from external customers by locations of customers are described below:

	2009 **RMB'000**	2008 RMB'000
North America	**1,011,567**	1,140,044
Russia	**82,989**	187,959
Europe	**101,925**	47,082
Australia	**54,456**	92,111
Asia	**83,872**	133,708
Others	**112,334**	96,957
	1,447,143	1,697,861

The Group's non-current assets are all in PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 RMB'000	2008 RMB'000
Customer A	**189,039**	208,153
Customer B	**170,650**	263,934
Customer C	**147,671**	214,779

8. OTHER INCOME

	2009 RMB'000	2008 RMB'000
PRC Government subsidies (Note)	**3,660**	1,779
Bank interest income	**1,249**	1,681
Others	**4,190**	1,230
	9,099	4,690

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.

9. OTHER GAINS AND LOSSES

	2009 RMB'000	2008 RMB'000
Loss on disposal of property, plant and equipment	**4,689**	903
Net foreign exchange loss (gain)	**2,123**	(127)
(Gain) loss from changes in fair value of derivative financial instrument	**(11,637)**	191,104
	(4,825)	191,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. FINANCE COSTS

	2009 **RMB'000**	2008 RMB'000
Interest expense on		
– bank borrowings wholly repayable within five years	**62,551**	89,285
– bills receivable discounted	**–**	560
Less: Interest subsidy from the PRC Government (Note)	**(7,800)**	–
	54,751	89,845

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

	2009 **RMB'000**	2008 RMB'000
Current tax:		
PRC Enterprise Income tax	**1,291**	8,072
Other jurisdictions	**–**	1,760
	1,291	9,832
Overprovision in prior year:		
PRC Enterprise Income tax	**(15,393)**	–
	(14,102)	9,832
Deferred taxation (Note 28)	**249**	5,820
	(13,853)	15,652

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. INCOME TAX EXPENSE (Continued)

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. For the year ended 31 December 2008, a subsidiary of the Group, 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 tax incentive of China's Western Development Program 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%. Moreover, another two subsidiaries of the Group, 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd. ("Qingdao Haisheng") and 安徽碭山海升果業有限公司 translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co. Ltd. ("Anhui Dangshan Haisheng"), have applicable tax rate of 12.5% and 25%, respectively, for 2008. For the year ended 31 December 2009, Shaanxi Haisheng, Qingdao Haisheng and Anhui Dangshan Haisheng were approved as "農產品初加工企業" in relation to their production of juice concentrate products and as a result, Shaanxi Haisheng, Qingdao Haisheng were exempted from enterprise income tax rate starting from 1 January 2008 onwards and Anhui Dangshan Haisheng was exempted from enterprise income tax rate starting from 1 January 2009 onwards. Accordingly, the applicable tax rate of Shaanxi Haisheng and Qingdao Haisheng in relation to the profits of juice concentrate production is 0% for both years and the applicable tax rate of Anhui Dangshan Haisheng in relation to the profits of juice concentrate production is 0% (2008: 25%). Overprovision in respect of prior year of RMB15,393,000 (2008: nil) was credited to consolidated statements of comprehensive income.

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 EIT 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 taxation of approximately RMB249,000 (2008: RMB5,900,000) has been provided for the current year in the consolidated financial statements in respect of the temporary differences attributable to such profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. INCOME TAX EXPENSE (Continued)

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

	2009 RMB'000	2008 RMB'000
Profit (loss) before tax	**79,837**	(43,185)
Tax at the domestic income tax rate of 25%	**19,959**	(10,796)
Effect of expenses that not deductible in determining taxable profit	**974**	54,007
Effect of income not taxable for tax purpose	**(2,909)**	–
Effect of deductible temporary difference not recognised	**(483)**	1,298
Effect of tax loss not recognised	**25,245**	5,048
Effect of tax on concessionary date	**(41,270)**	(42,016)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(225)**	2,211
Effect of tax on undistributed earnings of PRC's subsidiaries	**249**	5,900
Overprovision in respect of prior year	**(15,393)**	–
Tax (credit) charge for the year	**(13,853)**	15,652

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. PROFIT (LOSS) FOR THE YEAR

	2009 RMB'000	2008 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration (Note 13)	**2,226**	2,246
Other staff costs	**45,525**	49,410
Retirement benefits scheme contributions	**4,856**	5,645
Share-based payments	**2,010**	12,780
Total staff costs	**54,617**	70,081
Auditor's remuneration	**1,050**	1,400
Release of prepaid lease payments (included in administrative expenses)	**953**	911
Amortisation of intangible assets (included in cost of sales)	**1,578**	1,991
Depreciation of property, plant and equipment	**79,697**	72,171
Loss on disposal of property, plant and equipment	**4,689**	903
Impairment loss on intangible assets (included in other expenses)	**10,599**	–
Cost of inventories recognised as expense (including net reversal of allowance of inventories of RMB1,933,000 (Note) (2008: allowance of inventories of RMB5,191,000))	**1,066,211**	1,220,706

Note: For the year ended 31 December 2009, the net reversal of allowance of inventories includes reversal of allowance of inventories of RMB5,191,000 and allowance of inventories of RMB3,258,000. The reversal was made based on subsequent sales during the year.

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2009 RMB'000	2008 RMB'000
Fee	**165**	180
Other emoluments:		
Salaries and allowances	**1,959**	2,019
Contributions to retirement benefits scheme	**102**	47
	2,226	2,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments

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

	2009				2008			
	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Mr. Zhao Boxiang	60	–	–	60	60	–	–	60
Mr. Yim Hing Wah (note i)	30	–	–	30	60	–	–	60
Mr. Li Yuanrui	60	–	–	60	60	–	–	60
Mr. Lo Wai Tat, Andrew (note ii)	15	–	–	15	–	–	–	–
Mr. Gao Liang	–	898	26	924	–	942	13	955
Mr. Liang Yi	–	427	25	452	–	470	11	481
Mr. You Yong (note i)	–	–	–	–	–	285	10	295
Ms. Zhu Fang	–	307	26	333	–	322	13	335
Ms. Wang Xuemei (note ii)	–	327	25	352	–	–	–	–
	165	1,959	102	2,226	180	2,019	47	2,246

Notes:

(i) Mr. You Yong was resigned on 4 May 2009 and Mr. Yim Hing Wah was deceased on 14 July 2009.

(ii) Ms. Wang Xuemei and Mr. Lo Wai Tat, Andrew were appointed on 4 May 2009 and 30 September 2009, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

The five highest paid individuals included four (2008: 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 2009 and 2008, are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and allowances	**471**	472
Retirement benefits scheme contributions	**25**	13
	496	485

During the both years ended 31 December 2009 and 2008, 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 2009 and 2008.

14. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Dividends recognised as distribution during the year	**–**	24,444

The final dividend of RMB2.0 cents (2008: nil) in respect of the year ended 31 December 2009 per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

During the year ended 31 December 2008, the final dividend of RMB24,444,000, representing RMB2.0 cents for ordinary shares in respect of the year ended 31 December 2007 were declared by the Board and had been recognised and distributed during the year.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of approximately RMB98,100,000 (2008: loss for the year attributable to owners of the Company of approximately RMB59,140,000) 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 2009 and 31 December 2008 as the exercise price of the Company's options was higher than the average market price per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 2008	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
Additions	4,473	20,396	907	297	11,084	37,157
Transfer	8,527	4,323	–	–	(12,850)	–
Disposal	(23)	(19,302)	(1,605)	(180)	(1,534)	(22,644)
At 31 December 2009	**607,651**	**1,019,802**	**9,065**	**12,939**	**72**	**1,649,529**
DEPRECIATION						
At 1 January 2008	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
Provided for the year	14,567	63,165	794	1,171	–	79,697
Eliminated on disposals	–	(7,686)	(958)	(85)	–	(8,729)
At 31 December 2009	**53,573**	**246,621**	**2,266**	**5,361**	**–**	**307,821**
CARRYING VALUES						
At 31 December 2009	**554,078**	**773,181**	**6,799**	**7,578**	**72**	**1,341,708**
At 31 December 2008	555,668	823,243	7,333	8,547	3,372	1,398,163

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments located in the PRC comprises prepayment due as follows:

	2009 **RMB'000**	2008 RMB'000
Due within one year shown as current assets included in trade and other receivables	**1,458**	942
Due after one year	**46,014**	44,956
	47,472	45,898

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

At 31 December 2008, the Group was in the process of applying title certificates for certain land with a carrying value of approximately RMB2,700,000. The title certificate was obtained during year ended 31 December 2009.

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 2008, 31 December 2008 and 31 December 2009	6,621	20,050	18,861	45,532
AMORTISATION AND IMPAIRMENT				
At 1 January 2008	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
Charge for the year	–	498	1,080	1,578
Impairment loss recognised for the year	–	2,488	8,111	10,599
At 31 December 2009	**6,621**	**20,050**	**18,861**	**45,532**
CARRYING VALUES				
At 31 December 2009	**–**	**–**	**–**	**–**
At 31 December 2008	–	2,986	9,191	12,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. INTANGIBLE ASSETS (Continued)

Notes:

a. The amount represented 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 were amortised over 3 years on a straight-line basis accordingly.

b. During the year ended 31 December 2009, after assessing the market potential of the technical knowhow and product development expenditure with the carrying amounts of approximately RMB2,488,000 and RMB8,111,000, respectively, the directors concluded that it would be difficult to enter into the market of pectin extraction from pomace. The technical know-how and product development expenditure were ceased from using for commercial production. Accordingly, full impairment on the carrying amounts were recognised to the consolidated statement of comprehensive income.

   At 31 December 2008, the technical knowhow and product development expenditure intangible assets with an aggregated carrying amount of approximately RMB12,177,000 had been put into use for production for commercial sales. The product development expenditure and technical knowhow were amortised over 10 years on a straight-line basis.

19. INVENTORIES

	2009 **RMB'000**	2008 RMB'000
Raw materials	**19,840**	26,803
Work in progress	**165,715**	122,162
Finished goods	**891,841**	953,653
	1,077,396	1,102,618

20. TRADE AND OTHER RECEIVABLES

	2009 **RMB'000**	2008 RMB'000
Trade receivables	**65,597**	117,108
Less: allowance for doubtful debts	**(5,386)**	(9,640)
	60,211	107,468
Value added tax recoverable and other tax recoverable	**99,269**	99,580
Advances to suppliers	**7,981**	9,941
Others	**10,026**	11,418
	177,487	228,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 30 – 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period.

	2009 RMB'000	2008 RMB'000
Aged:		
0 – 90 days	**59,366**	104,572
91 – 180 days	**845**	2,896
	60,211	107,468

As at 31 December 2009, except for the debtors past due and fully impaired, the trade receivable balances of RMB60,211,000 (2008: RMB107,468,000) 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 renowned international beverage manufacturers, therefore based on the past history, the collectibility is expected.

Movement in the allowance for doubtful debts

	2009 RMB'000	2008 RMB'000
1 January	**9,640**	9,640
Amounts written off as uncollectible	**(4,254)**	–
31 December	**5,386**	9,640

As at 31 December 2009, the Group has trade and other receivables of USD1,716,000, equivalent to RMB11,717,000 which are denominated in foreign currency of the relevant group entities (2008: USD6,660,000, equivalent to RMB45,957,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2009, the pledged bank deposits of RMB12,692,000 (2008: RMB25,616,000) carried an average fixed interest rate of 5.58% (2008: 4.86% to 8.64%) per annum and bank balances of RMB49,281,000 (2008: RMB69,167,000) carried prevailing interest rate of 0.36% (2008: 0.36%) per annum.

The pledged bank deposits are 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 2009, the Group has bank balances and cash of USD4,733,000, equivalent to RMB32,320,000 which are denominated in foreign currency of the relevant group entities (2008: USD1,848,000, equivalent to RMB12,753,000).

22. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	**470,894**	332,428
Payable for acquisition of property, plant and equipment	**29,240**	76,230
Advances from customers	**3,712**	104,168
Others	**25,564**	28,152
	529,410	540,978

(a) The Group is allowed a credit period ranged from 90 – 180 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Aged:		
0 – 90 days	**424,349**	278,305
91 – 180 days	**41,502**	44,465
181 – 365 days	**2,124**	6,688
Over 1 year	**2,919**	2,970
	470,894	332,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE AND OTHER PAYABLES AND BILLS PAYABLES (Continued)

(b) The following is an aged analysis of bills payables presented based on the invoice date at the end of the reporting period:

	2009 **RMB'000**	2008 RMB'000
Aged:		
0 – 90 days	**19,790**	16,000
91 – 180 days	**1,350**	19,500
	21,140	35,500

As at 31 December 2009, the Group has trade and other payables of USD4,079,000, equivalent to RMB27,851,000 which are denominated in foreign currency of the relevant group entities (2008: USD17,024,000, equivalent to RMB117,466,000).

23. BANK AND OTHER BORROWINGS

	2009 **RMB'000**	2008 RMB'000
Bank loans	**972,625**	1,146,225
Borrowings from non-bank financial institution (Note 1)	**95,595**	123,023
Entrusted loan (Note 2)	**–**	30,000
	1,068,220	1,299,248
Analysis:		
Secured	**655,595**	841,484
Unsecured	**412,625**	457,764
	1,068,220	1,299,248
Analysis:		
Fixed-rate borrowings	**918,000**	311,530
Variable-rate borrowings	**150,220**	987,718
	1,068,220	1,299,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. BANK AND OTHER BORROWINGS (Continued)

The maturity profile of the above loans is as follows:

	2009 RMB'000	2008 RMB'000
On demand or within one year	**499,938**	778,564
More than one year but not exceeding two years	**427,313**	32,338
More than two years but not more than three years	**127,313**	447,339
More than three years but not more than four years	**13,656**	27,338
More than four years but not more than five years	**–**	13,669
	1,068,220	1,299,248
Less: Amounts due for settlement within one year shown under current liabilities	**(499,938)**	(778,564)
Amounts due for settlement after one year	**568,282**	520,684

Note 1: The borrowings were provided by an independent European financial institution ("EFI") and the whole amounts will be repayable by 7 installments from March 2010 to June 2013 (2008: repayable by 10 installments from September 2008 to March 2013).

During the year ended 31 December 2009 and 2008, the Company received letters 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 2011 and 1 January 2010, respectively. Accordingly, the borrowings classified as current and non-current portion according to its original terms as at 31 December 2009 and 2008.

In addition, the above borrowings 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 at 31 December 2008, an variable-rate entrusted loan of RMB30,000,000 with effective interest rate of 8.32% per annum and with original maturity date at June 2011 was borrowed from an independent third party through a bank. The amount was fully repaid during year ended 31 December 2009.

During the year ended 31 December 2008, 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. During the year ended 31 December 2009, the Group fully repaid the loan to EB.

As at 31 December 2008, bank and other borrowings of RMB180,000,000 (2009: nil) are guaranteed by third parties (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2009, the Group has bank borrowings of USD22,000,000, equivalent to RMB150,220,000 which are denominated in foreign currency of the relevant group entities. (2008: USD28,614,000, equivalent to RMB195,568,000).

The interest rate for the variable-rate borrowings is based on a margin above LIBOR for both years.

The bank borrowings of the Group with fixed-rate carry effective interests ranging from 4.37% to 5.35% per annum during the year ended 31 December 2009 (2008: 3.47% to 8.96%) per annum.

The bank borrowings of the Group with variable-rate carry effective interests ranging from 3.58% to 6.90% per annum during the year ended 31 December 2009 (2008: 6.90% to 8.32%) per annum.

24. DERIVATIVE FINANCIAL INSTRUMENT/OTHER FINANCIAL LIABILITY

	2009		2008	
	Assets RMB000	**Liabilities RMB000**	Assets RMB000	Liabilities RMB000
Foreign exchange currency swaps	**–**	**–**	–	191,104

Note: Major terms of the foreign exchange currency swaps as at 31 December 2008 were 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 2009 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.

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24. DERIVATIVE FINANCIAL INSTRUMENT/OTHER FINANCIAL LIABILITY (Continued)

The above derivatives were measured at fair value at the end of the reporting period. Their fair value are determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

On 2 April 2009, the Group commenced legal proceedings at Xi'an Intermediate People's Court, 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 14 April 2009, the Contracts were terminated by the Group and the Counterparty. The amount calculated and claimed by the Counterparty for the termination of the Contracts was USD26,283,603 (equivalent to approximately RMB179,467,000) and recognised as other financial liability by the Group upon termination of the Contracts. The difference between the carrying amount of the above derivative as at 31 December 2008 and the termination value as at the date of the termination amounting to RMB11,637,000 was credited to profit and loss for the year ended 31 December 2009 accordingly.

The legal proceedings were dismissed subsequent to the end of the reporting period, details of the financial impact of this legal proceedings was set out in note 35.

25. SHARE CAPITAL

The Company	**Number of shares**	**Amounts**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 2009	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 2009	1,222,200,000	12,222,000

	RMB'000
Shown on the consolidated statement of financial position at 31 December 2008 and 2009	12,715

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 provided 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 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.

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26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2009:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	17,360,000	(1,642,000)	15,718,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	6,520,000	(250,000)	6,270,000
				23,880,000	(1,892,000)	21,988,000
Exercisable at 31 December 2009						15,718,000

During the year ended 31 December 2009, 1,892,000 share options were lapsed and no share options were exercised and cancelled during the year.

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2008:

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
Exercisable at 31 December 2008							–

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26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

During the year ended 31 December 2008, the estimated fair value of the options on the date of grant were approximately RMB14,833,000 for the exercisable period from 3 March 2009 to 2 March 2013 (option A) and RMB5,209,000 for the exercise period form 3 March 2010 to 2 March 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 represents period from date of grant to expiry date of share options.

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.

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.

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27. RESERVES (Continued)

Basis of appropriations reserves (Continued)

(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 2008	80	–	80
(Credit) charge for the year	(80)	5,900	5,820
At 31 December 2008	–	5,900	5,900
Charge for the year	–	249	249
At 31 December 2009	–	6,149	6,149

At 31 December 2009, the Group has unutilised tax losses of approximately of RMB131,254,000 (2008: RMB30,274,000) 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 2009, the Group has deductible temporary differences arising from reversal of allowance for inventories of RMB1,933,000 (2008: allowance for inventories of RMB5,191,000). 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.

In addition, there was no other material unprovided deferred tax for the year or at the end of the reporting period.

29. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the year:

	2009	2008
	RMB'000	RMB'000
Premises	**269**	1,390

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29. OPERATING LEASE COMMITMENTS (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**269**	878
In the second to fifth years inclusive	**–**	512
	269	1,390

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

	2009 RMB'000	2008 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**777**	172

31. PLEDGE OF ASSETS

At the respective end of the reporting periods, the Group pledged the following assets for security of the Group's borrowings:

	2009 RMB'000	2008 RMB'000
Property, plant and equipment	**284,158**	404,123
Prepaid lease payments	**24,096**	25,979
Pledged bank deposits	**12,692**	25,616
Inventories	**278,927**	396,219
	599,873	851,937

In addition, the Group's equity interests in certain subsidiaries have been pledged to secure bank and other borrowings (see note 23 for details).

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For the year ended 31 December 2009

31. PLEDGE OF ASSETS (Continued)

As at 31 December 2009, the bank borrowings of RMB55 million (2008: RMB40 million) is guaranteed by a director of the Company, Mr. Liang Yi. As at 31 December 2008, bank borrowings of RMB40 million was guaranteed by another director of the Company, Mr. Gao Liang. In addition, as at 31 December 2008, 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.

As at 31 December 2008, in order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB150 million, the Group pledged the 99.6% equity interest of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("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. Mr. Gao Liang and his spouse also provided the personal guarantee to a bank to guarantee the bank borrowings of RMB80 million.

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 statement of financial position of the Group and the personal guarantee provided by Mr. Liang Yi and Mr. Gao Liang 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 RMB4,958,000 (2008: RMB5,692,000).

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34. CONTINGENT LIABILITIES

As at 31 December 2009, the Group issued financial guarantees to banks in respect of banking facilities granted to its suppliers whom are third parties to the Group with the aggregate amount of RMB88,140,000 (2008: nil). The said amount were fully utilised by the third parties. In the opinion of the directors, the fair value of the financial guarantee contracts at initial recognition is insignificant as the guaranteed amount will be settled with banks by paying the equivalent amount of trade payable to those suppliers by the Group to the banks directly in case of default of its suppliers.

35. EVENT AFTER THE REPORTING PERIOD

(a) On 4 January 2010, the Group entered into a settlement agreement with the Counterparty and the ratings advisor, the Group agreed to pay to the Counterparty a sum of USD7,000,000 (equivalent to approximately RMB47,797,000) as the settlement amount on 15 January 2010. Xi'an Intermediate People's Court ordered the discontinuance of the Chinese Proceedings on 12 January 2010 and the English legal proceedings were dismissed by a consent order of the Commercial Court of England on 3 February 2010. All claims the parties have against each other have been settled in full and final. Details of the settlement of the legal proceedings are set out in the announcements of the Group on 4 January 2010 and 11 February 2010.

The settlement of the legal proceedings will result in a gain on derecognition of other financial liability of RMB131,670,000 to the profit or loss for the year ending 31 December 2010.

(b) On 9 April 2010, Shaanxi Haisheng entered into a sale and purchase agreement with an independent third party ("Vendor") to acquire the entire equity interest in 伊天果汁(陝西)有限公司 ("伊天果汁") and 萊陽伊天果汁有限公司 ("萊陽伊天果汁") at a total consideration of RMB26,500,000 (equivalent to approximately HK$30,210,000) to be satisfied in cash plus HK$50,425,200 to be satisfied by issue and allotment of shares of the Company. 伊天果汁 and 萊陽伊天果汁 are limited liability companies established in the PRC. 伊天果汁 is principally engaged in the manufacturing and processing of juice concentrates and sale of self manufactured products in the PRC. 萊陽伊天果汁 is principally engaged in the manufacturing and processing of juice concentrates and sale of self manufactured products in the PRC.萊陽伊天果汁has established a branch company in Dalian of the PRC. Up to the date of this report, the acquisition has not yet completed.

In addition, Shaanxi Haisheng executed an exclusive distributorship agreement on the date of execution of the sale and purchase agreement. Pursuant to the exclusive distributorship agreement, Shaanxi Haisheng appoints Vendor as its sole and exclusive distributor for the marketing, sale and distribution of certain juice products in Japan.

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36. SUBSIDIARIES

The particulars of the subsidiaries of the Company as at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	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
栖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.

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