HAISHENG

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

Stock Code : 359

Annual Report 2010

CONTENTS

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 (resigned on 26 July 2010)
Mr. Li Bing (appointed on 26 July 2010)
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
Mr. Gao Liang
No. 3, Model A
Fengye Yuan
Yanta District
Xi'an
Shaanxi Province
The PRC

Mr. Terence Sin Yuen Ko, *FCCA*
Unit 1108, 11th Floor
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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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

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Computershare Hong Kong Investor Services Limited
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Hopewell Centre
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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

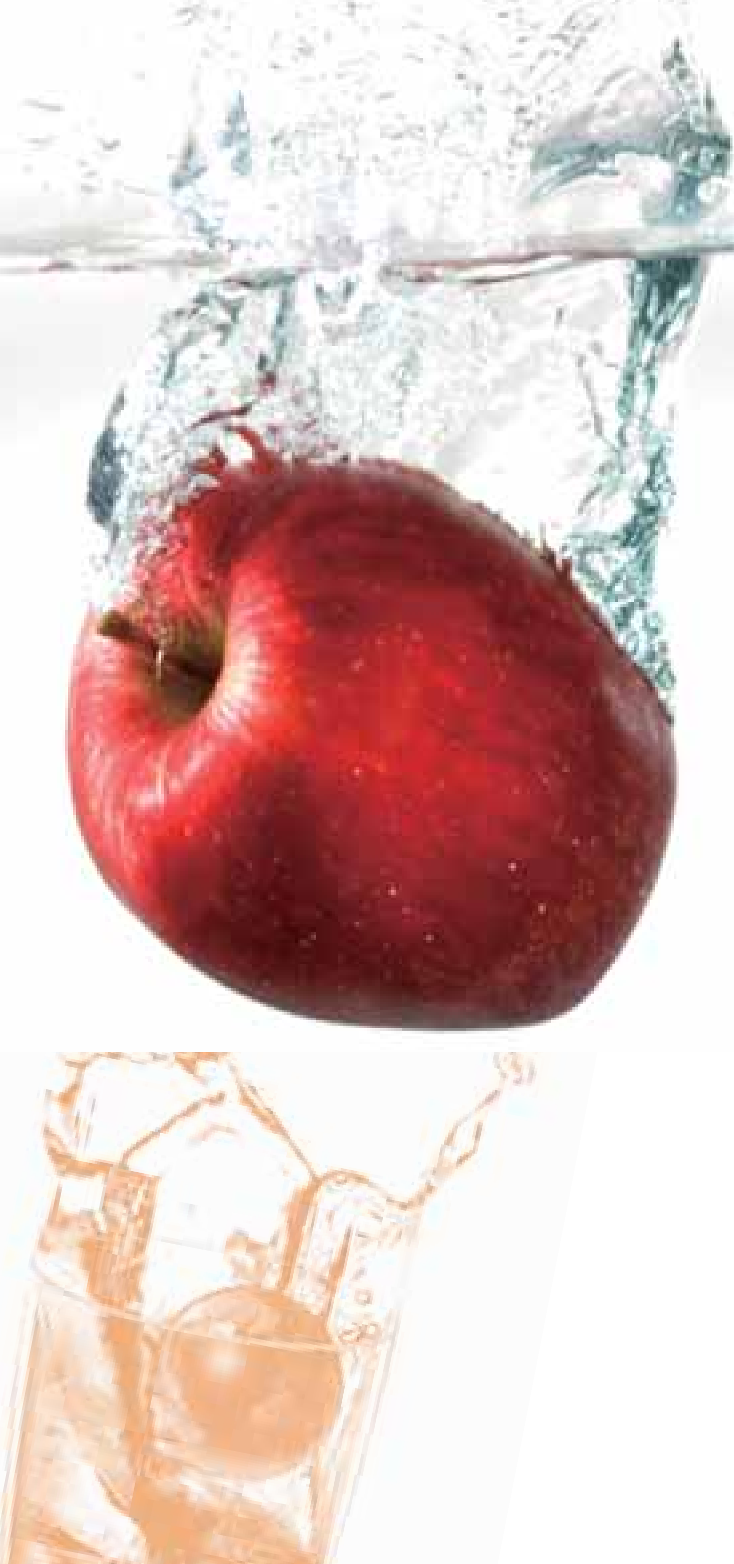
	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,505,915**	1,387,722	1,455,296	1,406,140	961,574
Net-current assets/(liabilities)	**113,366**	87,291	(123,830)	70,932	(180,086)
Non-current liabilities	**(646,566)**	(574,431)	(526,584)	(600,369)	(60,880)
	972,715	900,582	804,882	876,703	720,608
Share capital	**13,039**	12,715	12,715	12,715	12,715
Reserves	**944,971**	872,385	772,275	844,103	706,201
Equity attributable to the equity holders of the parent	**958,010**	885,100	784,990	856,818	718,916
Non-controlling interests	**14,705**	15,482	19,892	19,885	1,692
Total equity	**972,715**	900,582	804,882	876,703	720,608

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Turnover	**1,403,788**	1,447,143	1,697,861	1,881,568	863,675
Profit (Loss) before taxation	**56,647**	79,837	(43,185)	183,902	67,225
Income tax expense	**(3,382)**	13,853	(15,652)	(20,544)	(1,195)
Profit (Loss) for the year	**53,265**	93,690	(58,837)	163,358	66,030
Profit (Loss) for the year attributable to:					
Owners of the Company	**53,829**	98,100	(59,140)	161,871	65,754
Non-controlling interests	**(564)**	(4,410)	303	1,487	276
	53,265	93,690	(58,837)	163,358	66,030

Our
Vision & Strategy

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

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

On behalf of the board ("Board") of directors of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice" or "Company"), I hereby present to our shareholders the consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 December 2010 ("Year Under Review").

In 2010, with the stable recovery of the global economy, the customer consumption of traditional markets such as US, Japan and European Union gradually recovered to the level before the financial crisis while the market consumption demand of emerging markets such as Russia, South Africa, Southeast Asia and China grew rapidly. The price of the juice concentrate products consolidated from its low level in the previous year and gradually rose to historical high. The industry has returned to a healthy and sustainable development phase. Our Company benefited from the industry's recovery and continuous acquisition and merger to consolidate industrial capacity and improve organization ability, which allowed us to keep the leading position during the Year Under Review.

In the previous year, affected by the excess liquidity within China economy, the price of apple experienced a significant increase as compared to that of 2009. On the other hand, as the international product price gradually recovered, Haisheng Juice successfully controlled the cost of raw materials and provided sufficient supply of its products by accurately predicting the trend of market price, promptly adjusting the sale strategy, aggressively managing the inventory level while maintaining market share and striving to ensure the pace of production as well as securing a reliable purchasing channel, which made the Group more confident that it can be benefited from the rising price of juice concentrate in 2011.

As for market development, Haisheng Juice maintained its leading position in North American market by virtue of its mature sales network, quality salesmen and reliable product quality. The percentage of the Group's export volume to the total export volume from the PRC to such market increased by 2 percentage points to 34% as compared to 2009. Our market share in European market remained stable. As for the Japanese market, with the strategic cooperation with Itochu Corporation, the percentage of the Group's export volume to the total export volume from the PRC to such market ranked at top three for the first time. The Company enhanced its market development in emerging markets with rapid growth such as China, Middle East and South Africa by applying a customized sales strategy in each market thus capturing a continuous rising market share. It is believed that emerging markets will support the future development of the Company.

The purchasing system of the Company continued to be based on the material price prediction system, purchasing channel system and establishment of plantation base. For the Year Under Review, 3,000 standard samples and 196 standard 4S raw material purchasing stations (stable, sizeable, sole and safe) were built. Two plants in Dalian and Weinan, Shaanxi were developed into material base with a site area of more than 800 mus for trial work. The above systems improved the production of the Group and the efficiency of the sales decision-making, which enhanced the control of purchasing channel of the Group, ensured the quality and quantity of the raw material fruits, thus the purchasing price for the Company was lower than its competitors with the same scale.

Chairman's Statement

The Group adhered to the management philosophy of providing quality service and products to our customers. During the Year Under Review, the quality of the Group's products continued to receive acknowledgement and recognition from customers in all markets. The Group also kept implementing refined cost management while maintaining a leading position in the rate of production of raw and processed materials, processing charges, packing costs and cost efficiency.

During the Year Under Review, the Group successfully completed the acquisition and merger of "Yitian Juice" from Itochu Corporation in Japan, by which the number of plants of the Group increased to 11. Through the acquisition, the production and raw material control of the Company in Shaanxi, Shandong and Liaoning were improved while through the strategic cooperation with Itochu Corporation, the market share of the Company further increased.

To cope with the changes of global economy, implement the strategic transformation of business and product structure and achieve sustainable development, the Company established strategic investment division and R&D centre, and accelerated the organizational establishment during the Year Under Review. The Group recruited talents in related sectors such as agricultural science, food science and engineering, economics and management, marketing and international trade from famous universities, including Tsinghua University, China Agricultural University, Jiangnan University and Xi'an Jiaotong University. As of the end of 2010, the percentage of our staff with bachelor degree increased by 5 percentage points to 18% and the percentage of our staff with master degree doubled to 4.5%. The Group will continue to attract talents and improve our human resources structure with an aim to increase the percentage of our staff with bachelor degree to 50% and the percentage of our staff with master degree to 20%.

The Group worked hard on the R&D of new products to develop a new business growth point. In 2010, the Group successfully developed the pear sweet potato juice concentrate product and put it into mass production for sale, expanding the juice product category for the Company's customers. Meanwhile, the Company also successfully developed a multi-category juice formula for a domestic major dairy food provider, introducing the Company into the beverage base business and laying a solid foundation for the development strategy of mainly relying on the production of apple juice concentrate and gradually developing the technical service business of juice beverage formula. The Group has been working with the pulp project and highly concentrated aroma project. It is believed that such two projects will support the business growth of the Company.

Prospect

Looking forward, with the stable recovery of the global economy and the stable recovering international demand, the demand in the China market will maintain its rapid growth coupled with the government's policy of expanding domestic demand in the twelfth five-year plan. The juice concentrate industry in China will experience a prime phase with rapid growth. The Group is confident of the future profit and growth of the juice concentrate industry in China.

The leading position of the Group has become firmer after we successfully dealt with the risks associated with financial derivatives, and together with stronger financial structure, we enjoy the advantage of better operational efficiency. The Group will work together, endeavor to improve the product quality, strictly control its cost and consolidate its efficiency in the future.

Moreover, we will improve our organizational competitiveness by continuous recruiting talents and enhancing system organization ability. With seamless input in R&D, the Company will strengthen its technological innovation ability and technological competitiveness; with constant improvement in purchasing system and channel, as well as base establishment to enhance our control on raw materials, we will grasp the development opportunity offered in the industry so as to achieve a rapid growth in the Company's business and strategic transformation and create more value for all shareholders.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to every shareholder, customer and business partner for their continuous support and confidence. I would also like to thank our excellent management team and staff for their contribution.

In the coming year, the Group will keep consolidating its position in the juice concentrate industry and actively seek for business growth points so as to increase its profitability and share the achievements with all our investors and shareholders.

Gao Liang
Chairman

25 March 2011

WE PROTECT YOUR

INTEREST AND VALUE

RMB53,829,000
profit attributable to owners of the Company

RMB219,608,000
Gross Profit

Management Discussion & Analysis

REVIEW

Market Review

The supply and demand relationship of global apple juice concentrate reversed in 2010. In the first half of 2010, the apple juice concentrate market remained stable with a slight increase under the recovery of global market while in the second half, the price of Chinese agricultural products increased significantly and apple was in short supply, which resulted in a significant decrease in the supply of Chinese juice. Furthermore, production from the Poland market was reduced sharply, thus the supply of global apple juice concentrate was further squeezed.

Coupled with the limited supply, the demand of major import markets for apple juice concentrate including US, Germany and Russia further stabilized. The supply of Chinese apple juice concentrate fell short of demand for the period and the export price increased in a faster pace driven by demand.

Under the obvious rising trend of export price, the rising cost of fruit for squeezing in China was gradually shifted to the international purchasers. The industry bottomed out at the end of 2010 and a distinct rising momentum appeared by the end of the year.

Financial Review

For the financial year ended 31st December, 2010, the Group recorded a revenue of approximately RMB1,403.8 million, representing a decrease of 3.0% over last year and a gross profit margin of 15.6% as against 26.5% in last year.

The drop of revenue in 2010 was mainly due to the slow recovery of market demand in the first half of 2010, which resulted in a slight decrease in sales volume. The decrease in gross profit was mainly due to the significant increase in the price of raw materials, which resulted in a sharp increase in production cost. And the time lag in increase of selling price of apple juice concentrate in 2010 gave rise to the decrease in profit margin. During the period under review, the Group continued to expand its market share in North America to enjoy sales advantage and strengthened its sales in Asian markets especially in domestic markets, significantly increasing the sales volume in such areas. In the second half of 2010, as the price of raw materials sharply increased, the price of juice products gradually rose. Accordingly, the Group strictly controlled the pace of selling and strategically increased the inventory for future sales, resulting in a decrease in sales volume in 2010. The Group is confident that such inventory can be sold at a higher price in 2011, so as to enjoy a better profit margin.

The distribution and selling expense increased by 25.9% to approximately RMB225.6 million. Such increase was mainly due to the gradual improvement of global economy with a substantial rise in shipping cost. Meanwhile, the domestic transportation cost also increased.

The administrative expenses increased by 14.2% to approximately RMB80.7 million. Such increase was mainly due to the increase in high-end R&D and recruitment of technical and management staff, which laid a sound foundation for the subsequent development of the Company.

The finance costs increased by 14.3% to approximately RMB62.6 million. Such increase was mainly due to significant increase in the material purchasing price, larger demand for funds and the State increased its base rate, all of which gave a rise to the increase of finance cost.

Other income mainly included a discount on acquisition of 伊天果汁（陝西）有限公司 (Yitian Juice (Shaanxi) Co., Ltd.) ("Yitian Shaanxi") and 萊陽伊天果汁有限公司 (Laiyang Yi-Tian Juice Co., Ltd.) ("Laiyang Yi-Tian") of approximately RMB62.6 million. Please refer to the Company's announcements dated 9th April, 2010 and 26th October, 2010 for details of acquisition. Yitian Shaanxi and Laiyang Yi-Tian are PRC companies engaging in manufacturing and sale of juice concentrates.

Other gains and losses mainly included a gain on derecognition of other financial liability of approximately RMB132.1 million. During the year of 2010, a litigation between the Company and the counterparty of certain foreign swap contracts and ratings advisor of the Company was settled and which led to the termination of the foreign swap contracts and a gain on derecognition of other financial liability was recognised. Please refer to the Company's announcement dated 11th February, 2010 for details.

Attributable mainly to the aforesaid, the Group attained an audited profit attributable to owners of the Company of approximately RMB53.8 million, representing an decrease of 45.2% over last year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

As at 31st December, 2010, the Group's borrowings amounted to approximately RMB1264.7 million (2009: RMB1068.2 million), among which, approximately RMB950.7 million were secured by way of charge of the Group's assets and approximately RMB315.1 million were denominated in US dollars while approximately RMB949.6 million were denominated in RMB. The maturity profile of the Group's borrowings is set out below:

Management Discussion & Analysis

	As at 31st December,	
	2010	2009
	RMB'000	RMB'000
Repayable:		
On demand or within one year	**734,679**	499,938
Over one year	**530,000**	568,282
Total borrowings	**1,264,679**	1,068,220

The total equity of the Group increased from approximately RMB900.6 million as at 31st December, 2009 to approximately RMB972.7 million as at 31st December, 2010. Such increase was attributable to the profit for the year net of dividend paid.

The gearing ratio, defined as total liabilities divided by total assets, increased from approximately 66.7% as at 31st December, 2009 to 71.0% as at 31st December, 2010. Debt to equity ratio, defined as total borrowings divided by total equity, slightly increased from approximately 1.2 times as at 31st December, 2009 to 1.3 times as at 31st December, 2010.

The treasury policy of the Group is centrally managed and controlled at the corporate level.

CAPITAL COMMITMENTS

As 31st December, 2010, capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment amounted to approximately RMB4.5 million.

In addition, capital expenditure authorised for but not provided in the consolidated financial statements in respect of the acquisition of land use right amounted to approximately RMB13 million.

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, as for the presentation of foreign exchange risk, the Group has adopted certain aggressive measures, such as paying part of the payables in US dollar, predicating the appreciation of RMB before entering into a sales contract and increasing the proportion of loan made in US dollar.

PLEDGE ON ASSETS

At 31st December 2010, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits and inventories for security of the Group's borrowings with and obligation under finance leases their carrying account of approximately RMB852 million.

In addition, the Group's equity interests in certain subsidiaries have been pledged to secure bank and other borrowings.

As at 31st December, 2010, the bank borrowings of RMB55 million is guaranteed by a director of the Company, Mr. Liang Yi.

CONTINGENT LIABILITIES

As at 31st December, 2010, 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 RMB279,350,000 (2009: RMB88,140,000). 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.

BUSINESS REVIEW

As one of the largest juice concentrate exporters in China, the Group endeavored to capture the juice concentrate markets and strengthened the market consolidation via its excellent reputation, established sales network, quality sales staff and reliable product quality in order to prepare for the market growth cycle.

As to the market share, the Group's market share in all markets kept rising in 2010. The number of new customers continued to increase as compared with 2009. The percentage of export volume to America and Canada to the total export volume from the PRC exceeded 32%, which kept our leading position in such markets. The Group also successfully entered into the UK market while the market share in Japan was further improved due to the cooperation with Itochu Corporation. Market share in the Middle East was further improved, which allowed us to capture our target customers.

The Group constantly enlarged its sales team by recruiting excellent sales staff. Meanwhile, we strengthened the training, through which the executive ability and team cohesion were improved, giving a substantial support for our expanding market share in the future.

During the period under review, the Group further identified its customers' needs, strengthened the R&D, embarked on venture and kept improvement. In addition to apple juice concentrate business, the Group achieved a satisfactory result in the sales of secondary products and the development of beverage base business. We successfully produced and sold certain juices on minor scale while for the beverage base business, we even further cooperated with international soft drink leading companies, which significantly increased the competitiveness of the Group in the international market. As for the aroma business, the sale volume grew stably and contributed to the Group's profits, showing the effect of the Group's strategic planning of achieving higher profit via stable supply and innovative products.

As for the production capacity, the Group successfully consolidated the capacity of Yitian plant with 380,000 tonnes during the period under review. The Company currently has eleven 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 efficient and stable production, scientific and regulated management and stable purchasing channel, the Group's supply volume and product quality have been greatly supported.

R&D

The Group participated in a series of innovative experiments for the technique and procedures of the apple juice concentrate, our main business, and applied part of the research results, which gave positive effect to the improvement of product quality and adjustment of technique. As for the upstream plantation, the Group's plants commenced the establishment of plantation base and successfully built plantation bases in Weinan and Dalian. For our new strategic area, the beverage base business, the Group supplied a series of beverage base products to our world famous customers and a major domestic dairy food provider. Besides, we have entered into a development phase of brand new formula, showing the Company's ability in R&D and applying such research results and bringing economic benefits to the Company.

Purchasing

The Group continued to organize and establish the purchasing system and kept cultivating the business management staff and successors. Moreover, we developed a new surveying model on raw materials during the year and established 3,000 standard samples. Survey was carried out once a month and the collected data was used for better understanding of the changes in materials, which allowed the Group to have a base to make an accurate decision in production and sale. The innovative measures of the Group taken in the purchasing system showed initial effect, which included hydro unloading system in Shanxi Yuncheng plant, mechanical automatic quality examination system, GPS system and monitoring system in Qindao plant and pit sorting system in Qian County plant, all of which increased the Group's loading and unloading efficiency and quality and enhanced the control on the origin of fruit for juice squeezing. Meanwhile, the Group established 4S raw material purchasing stations (stable, sizeable, sole and safe) throughout the year. 196 4S raw material purchasing stations were built in total. The successful establishment and operation of 4S raw material purchasing stations secured the quality and quantity of the raw material fruits purchased by the Group. During the year, the Group applied unified management for the raw material purchasing price, which allowed us to actively control the purchasing price of raw materials and raw material fruits.

Efficient production

During the year under review, the Group maintained a good cooperative relationship with world famous juice beverage customers and 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 checks on the certifications from various parties like the regulatory authorities and customers. Various quality certifications namely HACCP and ISO9002, internal certification from customers for all plants of the Group, which guaranteed the stability and flexibility of the supply of goods, are evident of our confidence on the quality of our own products. Moreover, to further reduce the cost, the Group continued to implement the refined management to increase shareholders' return.

Human Resources

As of 31st December, 2010, the Group had 1,566 staff (31st December 2009: 1,235 staff).

We further enhanced the organizational ability during the year and formally established the R&D and strategy divisions. The Group offered attractive package to various talents with multinational cooperation working experience and continued to recruit quality staff, which included talents with more than 10 years experience in management and technological processing within juice concentrate and related industries as well as from the world's top food companies and aroma and fragrance companies. All of them graduated from domestic and foreign famous universities studying food science related sectors including agricultural product processing, food science, chemical engineering and plant pathology.

Prospect

Looking forward, it is anticipated that the production of apple in China will experience a stable growth. The Group will strive to maintain our existing market share on one hand, and develop new markets on the other. We will try our best to satisfy our customers and reach out for new customers. While extending the sales of existing traditional products, the Group will also keep increasing the sales of new products to achieve a healthy and comprehensive development of the Group's business.

To better grasp the market opportunity brought by the rising price of apple juice concentrate, the Group will improve the standard in several aspects such as R&D, human resources, purchasing and production.

R&D

To coordinate with the Group's development and strategic transformation, the R&D system will focus on the formula research for downstream end-user products as well as the innovation of related products. Meanwhile, we intend to launch end-user products and establish their distribution channel in 2011 with an aim to lay a foundation for brand establishment and large scale terminal sales. Furthermore, we plan to complete the establishment of pilot production lines and central laboratory within the R&D building in headquarters and make it become the largest and the most professional juice processing and research centre in northwestern China. Also, we are now planning to make an application for such facilities as a national laboratory and examination centre. The Group will conduct further study in plant extract, utilization of fruit residues and juice concentrate to gain technical experience for preparing the Group to get access to certain aspects including pectin, high-fructose syrup and plant fiber and produce a feasibility study report in this regard. The Group will complete the establishment of the production lines of pectin concentrate and highly concentrated aroma and intend to commercialize the finished products from production line to put them to the market, improve the production technique and enrich the category of corporate products. The Group will keep focusing on the perfection and innovation of technique for existing mature products and carry out more foundational experiment and research for cost saving and quality improvement. Besides, we will emphasize on the technical research and development on new products, prepare for the mass production of new products and strive to provide the customers with more product solutions.

In 2011, the Group will commence the establishment of pectin concentrate production line in Dalian and the highly concentrated aroma project in Yuncheng, Shanxi. Through the commencement of new projects, the Group will be able to produce a series of pectin concentrate products, which would substantially enrich the category of the Company's products. Only few companies around the world have the ability to produce highly concentrated aroma and the success of such product will make significant contribution to the Group's profits.

Human Resources

To further enhance our organization ability, we will recruit more talents to satisfy the strategic development needs and establish our reserve of manpower. Also, we will enhance internal training and carry out incentive training for fundamental officers and related staff with an aim to improve the corporate governance and technical standard. The Group will further perfect the efficiency of staff management mechanism, strengthen the degree of satisfaction and commitment of our staff for building a better platform to attract quality personnel.

Optimize Internal Financial Control System to Control Cost and Expenses

To ensure that the Group can maintain its sustainable competitive advantage within the industry, the Group will further optimize its internal financial control system, enhance the identification and control of risks in the operation flow such as purchasing, production and financial control in order to control purchasing cost, raise the production efficiency and reduce production cost while maintaining product quality.

Moreover, by way of deeply analyzing the operational results of all plants, the Group will solve the problems identified in the course of business and management, which prompts the plants to gain experience in management and technology innovation and finally achieve a comprehensive enhancement in the efficiency of cost and fee management.

Purchasing

The Group will carry on the reform in the coming year to optimize and innovate the supply chain management. Also, we will continue the material survey and expand its database. Continuous establishment of 4S raw material purchasing stations (stable, sizeable, sole and safe) will be carried out to standardize, mechanize and informationize the logistical system coupled with a faster pace in base establishment. In the coming year, the Group will make better utilization of central warehouse to manage all materials. The establishment of central warehouse will significantly increase Haisheng's material turnover rate, avoiding wastage and reducing cost.

Production

Based on existing sound quality control system, the Group will arrange the plants to conduct British Retail Consortium review, which can better satisfy the customers' requirements on product quality. Also, the Group will continue to maintain a good cooperative relationship with the customers and suppliers, carry out specified research on production and quality control system, and optimize the systematical training mechanism and equipment management system. The Group will constantly carry out in-depth studies in existing production technique for products on minor scale so as to enhance the cost competitiveness of our products with secured product quality.

Directors and Senior Management

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

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 50, 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 51, 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. Wang Xuemei (汪雪梅), aged 36, 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.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Boxiang (趙伯祥), aged 66, 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 69, 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 38, 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 Chief Operating Officer 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. 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 Year 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 2010.

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
Ms. Zhu Fang *(Chief Financial Officer)* (resigned on 26 July 2010)	2/2
Ms. Wang Xuemei *(Administrative Deputy General Manager)*	4/4
Mr. Li Bing *(Production Deputy General Manager)* (appointed on 26 July 2010)	2/2
Independent non-executive Directors	
Mr. Zhao Boxiang	4/4
Mr. Li Yuanrui	4/4
Mr. Lo Wai Tat Andrew	4/4

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

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

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

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement, rotation and 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 nonexecutive 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 2010 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. Li Yuanrui	2/2
Mr. Lo Wai Tat Andrew	2/2

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

NOMINATION OF DIRECTORS

The Board has held a meeting to consider the past performance 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. Li Yuanrui, Ms. Wang Xuemei and Mr. Li Bing 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 RMB1.3 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. Lo Wai Tat Andrew *(Chairman)*	2/2
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2

The Group's audited annual results for the year ended 31 December 2010 and the unaudited interim results for the six months ended 30 June 2010 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 26.

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 2010.

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 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 27 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 2010.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure of RMB35.8 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 2010 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 26 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 approximately RMB635 million as at 31 December 2010. 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
Ms. Zhu Fang (resigned on 26 July 2010)
Mr. Li Bing (appointed on 26 July 2010)
Ms. Wang Xuemei

Independent non-executive Directors:
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Lo Wai Tat Andrew

Pursuant to the Articles of Association, Mr. Gao Liang, Mr. Li Yuanrui, Ms. Wang Xuemei and Li Bing 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 14 to 15 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 Mr. Gao Liang and Mr. Liang Yi has entered into a service agreement with the Company for a term of three years commencing from 19 October 2008. Ms. Wang Xuemei and Mr. Li Bing have entered into service agreement with the Company for a term of three years commencing from 4 May 2009 and 26 July 2010 respectively.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year under Review 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.

MANAGEMENT CONTRACTS

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 under Review.

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.

Directors' Report

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	Exercisable period	Number of options outstanding as at 1 January 2010	Lapsed during the year	Number of options outstanding as at 31 December 2010
3 March 2008	HK$2.012	3 March 2008 to 2 March 2009	3 March 2009 to 2 March 2013	15,718,000	(1,032,000)	14,686,000
3 March 2008	HK$2.012	3 March 2008 to 2 March 2010	3 March 2010 to 2 March 2013	6,270,000	–	6,270,000
			Total	21,988,000	(1,032,000)	20,956,000

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

As at 31 December 2010, 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)	36.43%
Mr. Liang Yi	The Company	Trustee	48,858,235 Shares (note 2)	3.88%
		Beneficial owner	25,000,000 Shares	1.98%
Ms. Wang Xuemei	The Company	Beneficial owner	4,219,080 Shares	0.33%

Notes:

1. As at 31 December 2010, the 459,061,238 Shares were held by Think Honour International Limited ("Think Honour"), the entire 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 2010, the 48,858,235 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 650 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 48,858,235 Shares held by Raise Sharp by virtue of the SFO.

Save as disclosed above, as at 31 December 2010, 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 2010, 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)	36.43%
Goldman Sachs & Co.	The Company	Interest of controlled corporation	232,344,000 Shares (Note 2)	18.44%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	232,344,000 Shares (Note 2)	18.44%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488 Shares	14.58%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	10.70%
Raise Sharp	The Company	Beneficial owner	48,858,235 Shares (Note 3)	3.88%

Notes:

1. The entire 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 232,344,000 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 232,344,000 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 650 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 2010:

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 2010.

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 42% of the Group's total turnover and the largest customer accounted for approximately 13% of the Group's total turnover for the year 2010. The five largest suppliers accounted for approximately 15% of the Group's total purchases and the largest supplier accounted for approximately 4% of the Group's total purchases for the year 2010.

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 2010 are set out in note 23 to the consolidated financial statements.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The audit committee, of the Company comprises three independent non-executive Directors. Summary of duties and works of the audit committee is set out in the "Corporate Governance Report" in this annual report.

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 2010.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events occurring after the reporting period.

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, 25 March 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA HAISHENG JUICE HOLDINGS CO., LTD.
中国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 27 to 68, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, 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
25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	**2010 RMB'000**	2009 RMB'000
Revenue	7	**1,403,788**	1,447,143
Cost of sales		**(1,184,180)**	(1,064,278)
Gross profit		**219,608**	382,865
Other income	8	**72,274**	9,099
Other gains and losses	9	**134,452**	4,825
Distribution and selling expenses		**(225,588)**	(179,240)
Administrative expenses		**(80,654)**	(70,639)
Other expenses		**(839)**	(12,322)
Finance costs	10	**(62,606)**	(54,751)
Profit before taxation		**56,647**	79,837
Income tax (expense) credit	11	**(3,382)**	13,853
Profit for the year	12	**53,265**	93,690
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(192)**	–
Other comprehensive income for the year		**(192)**	–
Total comprehensive income for the year		**53,073**	93,690
Profit for the year attributable to:			
Owners of the Company		**53,829**	98,100
Non-controlling interests		**(564)**	(4,410)
		53,265	93,690
Total comprehensive income attributable to:			
Owners of the Company		**53,637**	98,100
Non-controlling interests		**(564)**	(4,410)
		53,073	93,690
Earnings per share, basic (RMB cents)	15	**4.38**	8.03

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,434,701**	1,341,708
Prepaid lease payments	17	**65,710**	46,014
Deposit paid for acquisition of land use right		**5,504**	–
Intangible assets	18	**–**	–
		1,505,915	1,387,722
CURRENT ASSETS			
Inventories	19	**1,321,122**	1,077,396
Trade and other receivables	20	**312,578**	176,029
Prepaid lease payments	17	**2,383**	1,458
Tax recoverable		**472**	472
Pledged bank deposits	21	**19,967**	12,692
Bank balances and cash	21	**190,570**	49,436
		1,847,092	1,317,483
CURRENT LIABILITIES			
Trade and other payables	22	**936,568**	529,410
Bills payables	22	**34,840**	21,140
Dividend payable to non-controlling interests of a subsidiary		**407**	237
Bank and other borrowings – due within one year	23	**734,679**	499,938
Obligation under finance lease	24	**27,232**	–
Derivative financial instrument	25	**–**	–
Other financial liability	25	**–**	179,467
		1,733,726	1,230,192
NET CURRENT ASSETS		**113,366**	87,291
		1,619,281	1,475,013
CAPITAL AND RESERVES			
Share capital	26	**13,039**	12,715
Reserves	28	**944,971**	872,385
Equity attributable to equity holders of the parent		**958,010**	885,100
Non-controlling interests		**14,705**	15,482
Total equity		**972,715**	900,582
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	23	**530,000**	568,282
Obligation under finance lease	24	**106,636**	–
Deferred tax liabilities	29	**9,930**	6,149
		1,619,281	1,475,013

The consolidated financial statements on pages 27 to 68 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on its behalf by:

Gao Liang
DIRECTOR

Wang Xuemei
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000 (Note 27)	Special reserve RMB'000 (Note 28)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note 28)	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	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
Exchange difference arising on translation	–	–	–	–	(192)	–	–	(192)	–	(192)
Profit for the year	–	–	–	–	–	–	53,829	53,829	(564)	53,265
Total comprehensive income for the year	–	–	–	–	(192)	–	53,829	53,637	(564)	53,073
Recognition of equity-settled share-based payments	–	–	500	–	–	–	–	500	–	500
Lapse of share option	–	–	(694)	–	–	–	694	–	–	–
Shares issued for acquisition of subsidiaries (note 30)	324	42,893	–	–	–	–	–	43,217	–	43,217
Dividends recognised on distribution	–	–	–	–	–	–	(24,444)	(24,444)	–	(24,444)
Dividends distributable to non-controlling interests	–	–	–	–	–	–	–	–	(213)	(213)
At 31 December 2010	13,039	202,327	14,596	258,722	(622)	110,449	359,499	958,010	14,705	972,715

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit before tax		56,647	79,837
Adjustments for:			
Allowances for inventories		824	3,258
Reversal of allowance of inventories		(3,258)	(5,191)
Depreciation and amortisation		82,665	81,275
Finance costs		62,606	54,751
Impairment loss on intangible assets		–	10,599
Interest income		(425)	(1,249)
Gain on derecognition of other financial liability		(132,088)	–
Gain from changes in fair value of derivative financial instrument		–	(11,637)
Net loss on disposal of property, plant and equipment		1,225	4,689
Discount on acquisition of subsidiaries	30	(62,637)	–
Share-based payment expense		500	2,010
Release of prepaid lease payments		1,079	953
Operating cash flows before movements in working capital		7,138	219,295
(Increase) decrease in inventories		(88,324)	27,155
(Increase) decrease in trade and other receivables		(114,645)	51,436
Increase in trade and other payables		158,510	35,422
Increase (decrease) in bills payables		13,700	(14,360)
Decrease in other financial liability		(47,379)	–
Cash (used in) generated from operations		(71,000)	318,948
Income tax paid		(3,602)	(3,267)
Income tax refunded		–	12,935
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(74,602)	328,616
INVESTING ACTIVITIES			
Acquisition of subsidiaries	30	26,820	–
Purchases of property, plant and equipment		(35,761)	(84,147)
Prepaid lease payments		(6,310)	(2,527)
Interest received		425	1,249
Proceeds on disposal of property, plant and equipment		107	9,226
Addition in pledged bank deposits		(24,120)	(96,653)
Release of pledged bank deposits		16,845	109,577
Deposit paid for acquisition of land use right		(5,504)	–
NET CASH USED IN INVESTING ACTIVITIES		(27,498)	(63,275)
FINANCING ACTIVITIES			
Repayments of bank and other borrowings and finance lease		(1,513,240)	(731,028)
Interests paid on bank and other borrowings and finance lease		(62,606)	(54,751)
New bank and other borrowings and finance lease raised		1,843,567	500,000
Dividend paid		(24,444)	–
Dividend paid to the non-controlling interests of a subsidiary		(43)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		243,234	(285,779)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		141,134	(20,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		49,436	69,874
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		190,570	49,436

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group adopted International Accounting Standards ("IASs"), IFRSs, amendments and interpretation ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee ("IFRIC")) that are effective for the Group's financial year beginning on 1 January 2010 consistently throughout the year.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of IAS 17 does not affect the classification of the Group's leasehold land.

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The application of IFRS 3 has no impact on the Group's consolidated statement of financial position, profit for the year and earnings per share as only insignificant acquisition-related costs have been incurred for the acquisition of subsidiaries during the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 24 (as revised in 2009)	Related Party Disclosures[5]
IAS 32 (Amendments)	Classification of Rights Issues[6]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 February 2010.
7 Effective for annual periods beginning on or after 1 July 2010.

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of the new Standard is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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 consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are set out below.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

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 the sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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, if any.

Depreciation is recognised so as to write off the cost of the items of property, plant and equipment other than construction in progress less than residual values over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which care the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for 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 the 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).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. 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 ranged 30 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 of the financial asset is reduced by the impairment loss directly for all financial assets 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.

For financial assets measured at amortised cost, 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 instruments

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. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial 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 other than those financial liabilities at FVTPL, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

The Group's financial liabilities other than derivative financial instruments, including trade and other payables, other financial liability, bills payables, obligation under finance lease, dividend payable to non-controlling interests of a subsidiary and bank and other borrowings. They are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivative are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

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 in its entirety, 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.

Share-based payment transactions

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 the 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.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss on trade receivables

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 2010, the carrying amount of trade receivables is RMB143,016,000(2009: RMB60,211,000) (net of allowance for doubtful debts of RMB5,278,000 (2009: RMB5,386,000)).

Write-down of 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 31December 2010, the carrying amount of inventories is RMB1,321,122,000 (2009: RMB1,077,396,000) (net of allowance for inventories of RMB824,000 (2009: RMB3,258,000).

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 26 and 28, 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.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**357,885**	129,948
Financial liabilities		
Amortised cost	**2,171,839**	1,780,607

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, bank and other borrowings, obligation under finance lease, 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 62% (2009: 90%) of the Group's sales and transportation payable are denominated in the foreign currency, United States dollar ("USD").

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

	Liabilities		Assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
USD	**370,474**	178,071	**56,214**	44,037

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.

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 a 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.

	2010 **RMB'000**	2009 RMB'000
Profit/loss for the year	**11,785**	5,026

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, pledge bank deposits and obligation under finance lease (see notes 23, 21 and 24 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.

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 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 2010 would decrease/increase by RMB2,236,000 (2009: post-tax loss would decrease/increase by RMB563,000). This is mainly attributable to the Group's exposure to the fluctuation of London Interbank Offer 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 2010 and 2009 is not significant.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2010, 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:

- the 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 36.

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 the 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 2010, five customers accounted for approximately 43% (2009: 68%) of the Group's trade receivables. The five customers are located at United States of America, Russia and Europe. These top five customers have good credit rating and repayment history. The Group's sales and transportation payables are denominated in USD. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 59% (31 December 2009: 78%) of the total trade receivable as at 31 December 2010. 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.

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 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 2010, the Group has available unutilised banking facilities of approximately RMB515 million (2009: RMB287 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 the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

2010

	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 12.31.2010 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	772,241	–	99,672	–	871,913	871,913
Bills payables	–	34,840	–	–	–	34,840	34,840
Dividend payable to non-controlling interests of a subsidiary	–	407	–	–	–	407	407
Bank and other borrowings							
– fixed-rate	3.57	92,598	311,493	184,655	103,570	692,316	668,452
– variable-rate	5.97	70,181	–	105,970	455,671	631,822	596,227
Obligation under finance lease	5.41	8,611	–	25,834	119,620	154,065	133,868
Financial guarantee contracts	–	279,350	–	–	–	279,350	–
		1,258,228	311,493	416,131	678,861	2,664,713	2,305,707

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 12.31.2009 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	467,917	–	43,626	–	511,543	511,543
Other financial liability	–	179,467	–	–	–	179,467	179,467
Bills payables	–	1,350	–	19,790	–	21,140	21,140
Dividend payable to non-controlling interests 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

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 supplies (see note 36 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.

6. FINANCIAL INSTRUMENTS (Continued)

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.

7. REVENUE AND SEGMENT INFORMATION

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 92% (2009: 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 detailed below:

	2010 RMB'000	2009 RMB'000
North America	**936,716**	1,011,567
Asia	**189,717**	83,872
Russia	**92,966**	82,989
Europe	**69,805**	101,925
Australia	**17,846**	54,456
Others	**96,738**	112,334
	1,403,788	1,447,143

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

Information about major customers

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

	2010 RMB'000	2009 RMB'000
Customer A	**151,843**	189,039
Customer B	**N/A[1]**	170,650
Customer C	**180,762**	147,671

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

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8. OTHER INCOME

	2010 RMB'000	2009 RMB'000
PRC Government subsidies (Note)	5,957	3,660
Bank interest income	425	1,249
Discount on acquisition of subsidiaries	62,637	–
Others	3,255	4,190
	72,274	9,099

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

	2010 RMB'000	2009 RMB'000
Net loss on disposal of property, plant and equipment	1,225	4,689
Net foreign exchange (gain) loss	(3,589)	2,123
Gain from changes in fair value of derivative financial instrument	–	(11,637)
Gain on derecognition of other financial liability	(132,088)	–
	(134,452)	(4,825)

10. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on:		
– bank borrowings wholly repayable within five years	62,637	62,551
– finance lease	2,029	–
Less: interest subsidy from the PRC Government (Note)	(2,060)	(7,800)
	62,606	54,751

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

	2010 RMB'000	2009 RMB'000
Current tax:		
PRC Enterprise Income tax	288	1,291
Withholding tax on dividend declared	2,739	–
Other jurisdictions	574	–
	3,601	1,291
Overprovision in prior year:		
PRC Enterprise Income tax (Note)	–	(15,393)
	3,601	(14,102)
Deferred tax (Note 29)	(219)	249
	3,382	(13,853)

Note: Overprovision in prior year amounted to RMB15,393,000 represented tax overprovision for 2008 of 陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("Shaanxi Haisheng") and 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Juice Co., Ltd. ("Qingdao Haisheng") because they obtained tax exemption approval during the year ended 2009 to exempt from enterprise income tax rate for 2008 and 2009.

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.

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 2010 and 2009, the subsidiaries of the Group, Shaanxi Haisheng, 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") 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 and Anhui Dangshan Haisheng was exempted from enterprise income tax rate for both years.

The newly acquired subsidiary Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") was also approved as "農產品初加工企業" in relation to their production of juice concentrate products for the year ended 31 December 2010. The newly acquired subsidiary, Laiyang Yi-Tian Juice Co., Ltd. ("Laiyang Yi-Tian") was not exempted from the above treatment. Accordingly, the applicable tax rate of Shaanxi Haisheng, Qingdao Haisheng and Anhui Haisheng in relation to the profits of juice concentrate production is 0% for both years and the applicable tax rate of Yitian Shaanxi and Laiyang Yi-Tian in relation to the profits of juice concentrate production is 0% and 25% respectively. In 2009, overprovision in respect of prior year of RMB15,393,000 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 RMB2,520,000 (2009: RMB249,000) and RMB2,739,000 (2009: nil) has been provided and reversed, respectively for the current year in the consolidated financial statements in respect of the temporary differences attributable to such profits.

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11. INCOME TAX EXPENSE (Continued)

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

	2010 RMB'000	2009 RMB'000
Profit before tax	56,647	79,837
Tax at the domestic income tax rate of 25%	14,162	19,959
Effect of expenses that not deductible in determining taxable profit	1,556	974
Effect of income not taxable for tax purpose	(50,928)	(2,909)
Effect of deductible temporary difference not recognised	(609)	(483)
Effect of tax loss not recognised	36,174	25,245
Effect of tax on concessionary rate	–	(41,270)
Effect of different tax rates of subsidiaries operating in other jurisdictions	507	(225)
Effect of tax on undistributed earnings of PRC's subsidiaries	2,520	249
Overprovision in respect of prior year	–	(15,393)
Tax charge (credit) for the year	3,382	(13,853)

Details of movements in deferred tax liability have been set out in note 29.

12. PROFIT FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (Note 13)	2,495	2,226
Salaries and wages	51,178	45,525
Retirement benefits scheme contributions	5,604	4,856
Share-based payments	500	2,010
Total staff costs	59,777	54,617
Auditor's remuneration	1,291	1,050
Release of prepaid lease payments (included in administrative expenses)	1,079	953
Amortisation of intangible assets (included in cost of sales)	–	1,578
Depreciation of property, plant and equipment	82,665	79,697
Loss on disposal of property, plant and equipment	1,225	4,689
Impairment loss on intangible assets (included in other expenses)	–	10,599
Cost of inventories recognised as expense (Note)	1,186,614	1,066,211

Note: For the year ended 31 December 2010, the net reversal of allowance of inventories of RMB2,434,000 (2009: RMB1,933,000) was included in the cost of sales. The net reversal of allowance of inventories includes reversal of allowance of inventories of RMB3,258,000 (2009: RMB5,191,000) and allowance of inventories of RMB824,000 (2009: RMB3,258,000). The reversal was made based on subsequent sales during the year.

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2010 RMB'000	2009 RMB'000
Fee	**180**	165
Other emoluments:		
Salaries and allowances	**2,200**	1,959
Contributions to retirement benefits scheme	**115**	102
	2,495	2,226

Directors' emoluments

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

	2010			
	Fee RMB'000	**Salaries and allowances RMB'000**	**Contributions to retirement benefits scheme RMB'000**	**Total RMB'000**
Mr. Zhao Boxiang	**60**	**–**	**–**	**60**
Mr. Yim Hing Wah (note i)	**–**	**–**	**–**	**–**
Mr. Li Yuanrui	**60**	**–**	**–**	**60**
Mr. Lo Wai Tat, Andrew (note ii)	**60**	**–**	**–**	**60**
Mr. Gao Liang	**–**	**886**	**25**	**911**
Mr. Liang Yi	**–**	**416**	**25**	**441**
Mr. You Yong (note i)	**–**	**–**	**–**	**–**
Ms. Zhu Fang (note iii)	**–**	**174**	**15**	**189**
Ms. Wang Xuemei (note ii)	**–**	**307**	**25**	**332**
Mr. Li Bing (note iv)	**–**	**417**	**25**	**442**
	180	**2,200**	**115**	**2,495**

	2009			
	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Mr. Zhao Boxiang	60	–	–	60
Mr. Yim Hing Wah (note i)	30	–	–	30
Mr. Li Yuanrui	60	–	–	60
Mr. Lo Wai Tat, Andrew (note ii)	15	–	–	15
Mr. Gao Liang	–	898	26	924
Mr. Liang Yi	–	427	25	452
Mr. You Yong (note i)	–	–	–	–
Ms. Zhu Fang (note iii)	–	307	26	333
Ms. Wang Xuemei (note ii)	–	327	25	352
Mr. Li Bing (note iv)	–	–	–	–
	165	1,959	102	2,226

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

Directors' emoluments (Continued)

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.

(iii) Ms. Zhu Fang was resigned on 26 July 2010.

(iv) Mr. Li Bing was appointed on 26 July 2010.

Employees' emoluments

The five highest paid individuals included three (2009: 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 2010 and 2009, are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and allowances	**783**	471
Retirement benefits scheme contributions	**50**	25
	833	496

During the both years ended 31 December 2010 and 2009, 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 2010 and 2009.

14. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Dividends recognised as distribution during the year	**24,444**	–

The final dividend of RMB2.0 cents (2009: 2.0 cents) in respect of the year ended 31 December 2010 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 2010, the final dividend of RMB24,444,000, representing RMB2.0 cents for ordinary shares in respect of the year ended 31 December 2009 were declared by the Board and had been recognised and distributed during the year.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB53,829,000 (2009: RMB98,100,000) and on the weighed average number of 1,229,242,192 (2009: 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 2010 and 31 December 2009 as the exercise price of the Company's options was higher than the average market price per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2009	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
Additions	1,260	8,378	627	1,043	4,201	15,509
Acquired on acquisition of subsidiaries	74,450	83,859	2,105	1,067	–	161,481
Transfer	442	2,643	–	–	(3,085)	–
Disposal	(15)	(748)	(306)	(1,009)	–	(2,078)
At 31 December 2010	**683,788**	**1,113,934**	**11,491**	**14,040**	**1,188**	**1,824,441**
DEPRECIATION						
At 1 January 2009	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
Provided for the year	15,238	63,871	1,804	1,752	–	82,665
Eliminated on disposals	–	(79)	(109)	(558)	–	(746)
At 31 December 2010	**68,811**	**310,413**	**3,961**	**6,555**	**–**	**389,740**
CARRYING VALUES						
At 31 December 2010	**614,977**	**803,521**	**7,530**	**7,485**	**1,188**	**1,434,701**
At 31 December 2009	554,078	773,181	6,799	7,578	72	1,341,708

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

Buildings	2.5% – 5%
Machinery	5.05 – 16.66%
Motor vehicles	10 – 20%
Office equipment	20%

During the year, the net book value of machineries of RMB803,521,000 includes an amount of RMB221,397,000 in respect of assets held under finance leases.

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17. PREPAID LEASE PAYMENTS

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

	2010 **RMB'000**	2009 RMB'000
Due within one year	**2,383**	1,458
Due after one year	**65,710**	46,014
	68,093	47,472

The cost of land use rights is amortised over 20 to 70 years on a straight-line basis.

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 2009, 31 December 2009 and 31 December 2010	6,621	20,050	18,861	45,532
AMORTISATION AND IMPAIRMENT				
At 1 January 2009	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 and 31 December 2010	6,621	20,050	18,861	45,532
CARRYING VALUES				
At 31 December 2010	**–**	**–**	**–**	**–**
At 31 December 2009	–	–	–	–

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 due to the emergence of pectin extraction from pomace into industrialisation. Accordingly, full impairment on the carrying amounts, were recognised to the consolidated statement of comprehensive income.

19. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	31,917	19,840
Work in progress	220,594	165,715
Finished goods	1,068,611	891,841
	1,321,122	1,077,396

20. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	148,294	65,597
Less: allowance for doubtful debts	(5,278)	(5,386)
	143,016	60,211
Value added tax recoverable and other tax recoverables	149,657	99,269
Advances to supplies	10,512	7,981
Others	9,393	8,568
	312,578	176,029

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.

	2010 RMB'000	2009 RMB'000
Aged:		
0 – 90 days	142,804	59,366
91 – 180 days	212	845
	143,016	60,211

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,278,000 (2009: RMB5,386,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts

	2010 RMB'000	2009 RMB'000
1 January	5,386	9,640
Amounts written off as uncollectible	(108)	(4,254)
31 December	5,278	5,386

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20. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2010, except for the debtors past due and fully impaired, the trade receivable balances of RMB143,016,000 (2009: RMB60,211,000) are neither past due nor impaired at the reporting date for which the Group has not provided for impairment loss since the customers are mostly the renowned international beverage manufacturer, therefore based on the past history, the collectibility is expected.

As at 31 December 2010, the Group has trade and other receivables of USD7,389,000, equivalent to RMB48,933,000 which are denominated in foreign currency of the relevant group entities. (2009: USD1,716,000, equivalent to RMB11,717,000).

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2010, the pledged bank deposits of RMB19,967,000 (2009: RMB12,692,000) carried an average fixed interest rate of 2.50% (2009: 5.58%) per annum and bank balances of RMB190,393,000 (2009: RMB49,281,000) carried prevailing interest rate of 0.36% (2009: 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.

As at 31 December 2010, the Group has bank balances and cash of USD1,099,000, equivalent to RMB7,281,000 (2009: USD4,733,000, equivalent to RMB32,320,000) which are denominated in foreign currency of the relevant group entities.

22. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	**830,649**	470,894
Payable for acquisition of property, plant and equipment	**8,988**	29,240
Advances from customers	**3,630**	3,712
Accrual salaries	**8,487**	5,372
Accrual interest	**4,978**	4,845
Other tax payable	**3,636**	6,618
Deferred income (note c)	**57,000**	–
Others	**19,200**	8,729
	936,568	529,410

(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:

	2010 RMB'000	2009 RMB'000
Aged:		
0 – 90 days	**730,977**	424,349
91 – 180 days	**91,563**	41,502
181 – 365 days	**6,164**	2,124
Over 1 year	**1,945**	2,919
	830,649	470,894

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:

	2010 RMB'000	2009 RMB'000
Aged:		
0 – 90 days	**34,840**	19,790
91 – 180 days	**–**	1,350
	34,840	21,140

As at 31 December 2010, the Group has trade and other payables of USD8,354,000 equivalent to RMB55,329,000 (2009: USD4,079,000, equivalent to RMB27,851,000) which are denominated in foreign currency of the relevant group entities.

(c) The balance represented the deferred income arisen from an exclusive distribution right, which the Group offers to a distributor in Japan for a term of three years (Note 30).

23. BANK AND OTHER BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank loans	**1,198,452**	972,625
Borrowings from non-bank financial institution (Note)	**66,227**	95,595
	1,264,679	1,068,220
Analysis:		
Secured	**950,699**	655,595
Unsecured	**313,980**	412,625
	1,264,679	1,068,220
Analysis:		
Fixed-rate borrowings	**668,452**	918,000
Variable-rate borrowings	**596,227**	150,220
	1,264,679	1,068,220

Notes to the Consolidated Financial Statements

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23. BANK AND OTHER BORROWINGS (Continued)

Carrying amount repayable:*

	2010 **RMB'000**	2009 RMB'000
Within one year	**668,452**	499,938
More than one year, but not exceeding two years	**470,000**	427,313
More than two years but not more than three years	**60,000**	127,313
More than three years but not more than four years	**–**	13,656
	1,198,452	1,068,220
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**66,227**	–
	1,264,679	1,068,220
Less: Amounts due within one year shown under current liabilities	**(734,679)**	(499,938)
Amounts due shown under non-current liabilities	**530,000**	568,282

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Note: The borrowings were provided by an independent European financial institution ("EFI") and the whole amounts will be repayable by 5 installments from March 2011 to March 2013 (2009: repayable by 7 instalments from March 2010 to June 2013).

During the year ended 31 December 2010, the Group could not satisfy certain conditions of the loan agreement with an EFI. The Group was unable to obtain a letter from EFI to maintain the original term of borrowings and therefore the whole amount of the borrowings under non-current portion of RMB66,227,000 were classified as a current liabilities as at 31 December 2010.

During the year ended 31 December 2009, 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. Accordingly, the borrowings classified as current and non-current portion according to its original terms as at 31 December 2009.

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.

As at 31 December 2010, the Group has bank borrowings of USD47,606,000, equivalent to RMB315,145,000 (2009: USD22,000,000, equivalent to RMB150,220,000) which are denominated in foreign currency of the relevant group entities.

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

The bank borrowings of the Group with fixed-rate carry effective interests ranging from 1.33% to 5.81% (2009: 4.37% to 5.35%) per annum during the year ended 31 December 2010.

The bank borrowings of the Group with variable-rate carry effective interests ranging from 5.04% to 6.90% (2009: 3.58% to 6.90%) per annum during the year ended 31 December 2010.

24. OBLIGATIONS UNDER FINANCE LEASES

	2010 RMB'000
Analysed for reporting purposes as:	
Current liabilities	27,232
Non-current liabilities	106,636
	133,868

In July 2010, the Group entered into a finance lease agreement pursuant to which the Group sold its machineries to an independent third party at RMB221,397,000 and leased back the machineries with the lease period of 5 years. In addition, the ownership of leased assets will be transferred to the Group at a purchase option of RMB10,000 upon the settlement of the payable under the finance lease arrangement and the interest accrued under the lease arrangement. Interest rates underlying all obligations under finance leases are fixed at respective contract dates by 5.41%.

	Minimum lease payments 31.12.2010 RMB'000	Present value of minimum lease payments 31.12.2010 RMB'000
Amounts payable under finance leases		
Within one year	34,445	27,232
In more than one year but not more than two years	34,445	28,736
In more than two years but not more than five years	85,175	77,900
	154,065	133,868
Less: future finance charges	(20,197)	–
Present value of lease obligations	133,868	133,868
Less: Amount due for settlement with 12 months (shown under current liabilities)		(27,232)
Amount due for settlement after 12 months		106,636

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

25. DERIVATIVE FINANCIAL INSTRUMENT/OTHER FINANCIAL LIABILITY

	2010		2009	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Foreign exchange currency swaps	–	–	–	–

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25. DERIVATIVE FINANCIAL INSTRUMENT/OTHER FINANCIAL INSTRUMENT (Continued)

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 2010 to 10 August 2013	RMB54,800,000 (i) RMB54,240,000 (ii) RMB54,160,000(iii)

(i) For the period from 10 September 2009 to 10 August 2010.

(ii) For the period from 10 September 2010 to 10 August 2012.

(iii) For the period from 10 September 2012 to 10 August 2013.

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

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

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

The above derivatives were measured at fair value at 31 December 2008. 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 consolidated statement of comprehensive income for the year ended 31 December 2009 accordingly.

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 RMB47,379,000) 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 had against each other had 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.

Accordingly, a gain on derecognition of other financial liability of RMB132,088,000 was resulted from the settlement of the legal proceedings amounting to RMB47,379,000 and credited to the consolidated statement of comprehensive income for the year ended 31 December 2010.

26. SHARE CAPITAL

The Company	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 2010	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2009, 31 December 2009	1,222,200,000	12,222,000
Issued as consideration for the acquisition of subsidiaries (Note)	37,800,000	378,000
At 31 December 2010	**1,260,000,000**	**12,600,000**

	2010 RMB'000	2009 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,039**	12,715

Note: In relation to the acquisition of subsidiaries engaging in the manufacturing and processing juice concentrates in PRC, pursuant to the sale and purchase agreement, the Company issued 37,800,000 shares at market price as a part, of consideration. Details of these are set out in note 30.

27. 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;

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

(iv) 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.

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27. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. The exercise price is determined by the directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements of the Company's share options held by employees during the year ended 31 December 2010:

Date of grant	Vesting period	Exercise price	Exercisable period	Outstanding at 1.1.2010	Lapsed during the year	Outstanding at 31.12.2010
		HK$				
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	15,718,000	(1,032,000)	14,686,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	6,270,000	–	6,270,000
				21,988,000	(1,032,000)	20,956,000
Exercisable at 31 December 2010						20,956,000

During the year ended 31 December 2010, 1,032,000 share options were lapsed and no share options were granted, 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 2009:

Date of grant	Vesting period	Exercise price	Exercisable period	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
		HK$				
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

28. RESERVES

Basis of appropriations reserves

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

(a) Statutory surplus reserve

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

(b) Special reserve

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

29. DEFERRED TAXATION

	Fair value adjustment at acquisition	**Temporary differences arising from withholding tax**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2009	–	5,900	5,900
Charge for the year	–	249	249
At 31 December 2009	–	6,149	6,149
Arising from acquisition of subsidiaries (note 30)	4,000	–	4,000
Charge for the year	–	2,520	2,520
Reversed during the year	–	(2,739)	(2,739)
At 31 December 2010	**4,000**	**5,930**	**9,930**

At 31 December 2010, the Group has unutilised tax losses of approximately of RMB275,951,000 (2009: RMB131,254,000) 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 2010, the Group has deductible temporary differences arising from reversal of allowance for inventories of RMB2,434,000 (2009: reversal of allowance for inventories of RMB1,933,000). 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.

Under the EIT Law of PRC, a 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. For the year ended 31 December 2010, approximately RMB2,520,000 (2009: RMB249,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries, respectively.

As detailed in note 14, the Group recognised an final dividend of RMB24,444,000 for the year ended 31 December 2010. The corresponding deferred taxation liability of RMB2,739,000 previously provided for undistributed earnings was reversed during the year ended 31 December 2010.

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

30. ACQUISITION OF SUBSIDIARIES

On 9 April 2010, the Group entered into a sale and purchase agreement with Itochu Corporation ("Vendor"), an independent third party to acquire the entire equity interest in Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") and Laiyang Yi-Tian Juice Co., Ltd. ("Laiyang Yi-Tian") at a total consideration of RMB26,500,000 to be satisfied in cash plus 37,800,000 Consideration Shares to be issued and alloted of shares of the Company at market price (equivalent to approximately RMB43,217,000). In addition, incidental to the acquisition, 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 the Vendor as its sole and exclusive distributor for the marketing, sale and distribution of certain juice products in Japan for a term of three years. The fair value of the agreement of RMB57,000,000 is considered as part of the consideration transferred to the vendor.

Yitian Shaanxi and Laiyang Yi-Tian are limited liability companies established in the PRC. Both Yitian Shaanxi and Laiyang Yi-Tian are principally engaged in the manufacturing, processing and sales of juice concentrates in the PRC. Laiyang Yi-Tian has established a branch company in Dalian of the PRC. Yitian Shaanxi and Laiyang Yi-Tian were acquired so as to continue the expansion of the Group's manufacture and sale of fruit juice concentrate.

On 25 October 2010, the Group fully acquired the issued share capital and obtained control of Yitian Shaanxi and Laiyang Yi-Tian for consideration of RMB126,717,000. This acquisition has been accounted for using the purchase method. The amount of discount on acquisition arising as a result of the acquisition was RMB62,637,000.

Consideration transferred

	RMB'000
Cash	26,500
Equity instruments issued	43,217
Deferred income	57,000
Total	126,717

As part of the consideration of the acquisition of Yitian Shaanxi and Laiyang Yi-Tian, 37,800,000 ordinary share of the Company were issued. The fair value of the ordinary shares of the Company, determined using the market price, amounted to RMB43,217,000.

Insignificant acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in current year, within the administrative expenses in the consolidation statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	161,481
Prepaid lease payment	15,390
Inventories	152,968
Trade and other receivables	22,095
Bank balances and cash	53,320
Trade and other payable	(211,900)
Deferred tax liabilities	(4,000)
	189,354

30. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB22,095,000, which was also the gross contractual amounts of those trade and other receivables. In the opinion of the directors of the Company, the best estimate at the acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Discount on acquisition

	RMB'000
Consideration transferred	126,717
Less: net assets acquired	(189,354)
Discount on acquisition (included in other income)	(62,637)

None of the discount on acquisition arising on these acquisitions is expected to be taxable for tax purposes.

Net cash inflow on acquisition of Yitian Shaanxi and Laiyang Yi-Tian:

	RMB'000
Cash and cash equivalent balances acquired	53,320
Less: cash consideration paid	(26,500)
	26,820

Since the completion of acquisition of subsidiaries, Yitian Shaanxi and Laiyang Yi-Tian have contributed approximately RMB28,183,000 and approximately RMB16,712,000 to the Group's turnover and loss respectively for the period from the date of acquisition to 31 December 2010.

The Directors of the Company, after reassessment, consider that the discount on acquisition of business is due to the fact that the Vendor intended to re-engineer its investment strategy in the industry of manufacture of the apple juice as Yitian Shaanxi and Laiyang Yi-Tian were making loss in the recent years, and as a result, the cost of acquisition is favourable compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of the Group. The discount on acquisition was approximately RMB62,637,000. The Group is able to assist the acquired subsidiaries in achieving an uplift of the effectiveness of operation. In the opinion of the directors of the Company, this is the key factor leading to the recognition of the discount on acquisition. The total consideration of approximately RMB126,717,000 represents management's best estimate of the final consideration to be paid by the Group.

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31. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the year:

	2010 RMB'000	2009 RMB'000
Premises	3,329	269

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:

	2010 RMB'000	2009 RMB'000
Within one year	1,141	269
In the second to fifth years inclusive	2,188	–
	3,329	269

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.

32. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– the acquisition of property, plant and equipment	4,482	777
Capital expenditure authorised for but not provided in the consolidated financial statements in respect of:		
– the acquisition of land use right	12,842	18,346

33. PLEDGE OF ASSETS

At the respective end of the reporting periods, the Group pledged the following assets for security of the Group's borrowings and obligation under finance lease:

	2010 RMB'000	2009 RMB'000
Property, plant and equipment	**466,717**	284,158
Prepaid lease payments	**30,985**	24,096
Pledged bank deposits	**19,967**	12,692
Inventories	**334,201**	278,927
	851,870	599,873

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

As at 31 December 2010, the bank borrowings of RMB55 million (2009: RMB55 million) is guaranteed by the director of the Company, Mr. Liang Yi.

34. RELATED PARTY DISCLOSURES

(a) Except for the balance of dividend payable to the non-controlling interests of a subsidiary, who include one director 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 as set out in note 33 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

Other than the emoluments paid to directors of the Company as set out in note 13, who are considered as the key management of the Group, the Group did not have any other significant compensation to key management personnel.

35. RETIREMENT BENEFITS SCHEME

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

During the year, the retirement benefit scheme contributions amounted to approximately RMB5,719,000 (2009: RMB4,958,000).

36. CONTINGENT LIABILITIES

As at 31 December 2010, 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 RMB279,350,000 (2009: RMB88,140,000). 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.

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37. SUBSIDIARIES

The particulars of the subsidiaries of the Company as at 31 December 2010 and 2009 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)	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
Yitian Shaanxi(3)(4)	The PRC	RMB143,174,014	–	100%	Manufacture and sale of fruit juice concentrate
Laiyang Yi-Tian(1)(3)	The PRC	RMB171,466,920	–	100%	Manufacture and sale of fruit juice concentrate

Notes:

(1) Domestic enterprise established in the PRC.
(2) Sino-foreign owned enterprise established in the PRC.
(3) These subsidiaries are newly acquired during the year ended 31 December 2010.
(4) Wholly foreign owned enterprise established in the PRC.

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