China Haisheng Juice Holdings Co., Ltd.

中國海升果汁控股有限公司

Stock Code : 359

2012 Annual Report

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)*
Ms. Liu Li (resigned on 12 June 2012)
Mr. Li Bing (resigned on 8 April 2013)
Ms. Wang Xuemei (resigned on 7 September 2012)
Mr. Zhang Xiang (appointed on 10 July 2012)
Mr. Ding Li (appointed on 7 September 2012)
Mr. Zhao Chongjun (appointed on 8 April 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Lo Wai Tat, Andrew (resigned on 8 April 2013)
Mr. Chan Bing Chung (appointed on 8 April 2013)

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

AUTHORISED REPRESENTATIVES
Mr. Gao Liang
Mr. Terence Sin Yuen Ko, *FCCA*

AUDIT COMMITTEE
Mr. Chan Bing Chung *(Chairman)* (appointed on 8 April 2013)
Mr. Zhao Boxiang
Mr. Li Yuanrui

REMUNERATION COMMITTEE
Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui
Mr. Chan Bing Chung (appointed on 8 April 2013)

NOMINATION COMMITTEE
Mr. Gao Liang *(Chairman)*
Mr. Li Yuanrui
Mr. Zhao Boxiang
Mr. Chan Bing Chung (appointed on 8 April 2013)

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room B, 3rd Floor
Eton Building
288 Des Voeux Road Central
Central
Hong Kong

WEBSITE ADDRESS
www.chinahaisheng.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

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

Financial Highlights

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,457,497**	1,470,192	1,505,915	1,387,722	1,455,296
Net-current (liabilities)/assets	**(257,163)**	(276,579)	113,366	87,291	(123,830)
Non-current liabilities	**(179,487)**	(92,850)	(646,566)	(574,431)	(526,584)
	1,020,847	1,100,763	972,715	900,582	804,882
Share capital	**13,039**	13,039	13,039	12,715	12,715
Reserves	**1,005,504**	1,085,213	944,971	872,385	772,275
Equity attributable to owners of the Company	**1,018,543**	1,098,252	958,010	885,100	784,990
Non-controlling interests	**2,304**	2,511	14,705	15,482	19,892
Total equity	**1,020,847**	1,100,763	972,715	900,582	804,882

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,918,330**	2,106,423	1,403,788	1,447,143	1,697,861
(Loss) profit before tax	**(52,361)**	172,606	56,647	79,837	(43,185)
Income tax expense	**(3,764)**	(9,714)	(3,382)	13,853	(15,652)
(Loss) profit for the year	**(56,125)**	162,892	53,265	93,690	(58,837)
(Loss) profit for the year attributable to:					
Owners of the Company	**(55,918)**	161,983	53,829	98,100	(59,140)
Non-controlling interests	**(207)**	909	(564)	(4,410)	303
	(56,125)	162,892	53,265	93,690	(58,837)

Chairman's Statement

Gao Liang
Chairman

DEAR SHAREHOLDERS,

I, hereby, on behalf of the board of directors (the "Board") of the Company, present the annual report of the Group for the year ended 31 December 2012.

BUSINESS REVIEW

In 2012, global economy recovered slowly. Economies in European zone even reached low level. Affected by the unfavorable global environment, global demand on apple juice concentrate did not show any recovery. Given the surge of cost and appreciation of RMB for the last two years, the international market competitiveness of apple juice concentrate industry has been impaired. As for the US market, competition between the corporations has been apparently intensifying due to expiration of anti-dumping duty orders. Raw materials cost in China increased for the last year which resulted in a significant rise in price of apple juice concentrate in 2012. Export volume of China's apple juice concentrate products to other markets recorded a drop to a certain extent other than US, Canada and Asia-Pacific markets. However, the Company has been in the frontline of the industry in terms of export volume in 2012. Sales amount substantially the same as 2011 with an annual sales income of RMB1,918.3 million. However, profitability of the Company dropped due to significant rise in cost and annual loss of RMB56.1 million was recorded.

In 2012, given the growth of consumption demand on juice market in China, ratio of sales in China market to total sales rose for three consecutive years and reached 12%. By virtue of the successful marketing campaigns for traditional consumption juice in China, such as pear juice with crystal sugar pear juice, the sales of pear juice of the Company experienced a significant growth in 2012. With the diversified development on the consumption demand on juice products in China, market of vegetable juices, including blueberry juice, strawberry juice and sweet potato juice shows great growing potential. Thanks to the mature safety, nutrition and healthy consumption concept of juice market in China, the strategic relations between the Company and famous dairy product and beverage manufacturers, as well as our cumulative R&D ability for new products, various minor juice products have been put into mass production and sales. In the coming year, the Company will continue to advance the extract and R&D on profitable aroma.

During the grinding seasons in 2012-2013, the market downturn of table apple mitigated the rise in cost. As a market leader, the Company actively implemented cost control measures among its factories and plants and organized and led the industry players to establish effective pricing negotiation mechanism in order to achieve favorable industrial competition in purchase of raw materials, effectively control costs and mitigate sector and business risk. In addition, the Company has been studying the factors of fruit consumption with an aim to boost the comprehensive competitiveness of our products through technology reform. Facing the adverse business environment, the Company actively responded and largely reduced organizational and management cost through optimizing structure and improving efficiency.

In 2012, the Company improved the ratio of middle to long term bank borrowing and relieved pressure from short term debt. By effectively lowering financial risk, the Company has gained much more time and room for strategic transformation.

PROSPECT

In 2013, there are still many uncertainties affecting the recovery of global economy. Quantitative easing remains dominate in short term and the trend of foreign exchange rate of RMB is still unfavorable for the recovery of the competitiveness of juice concentrate. Competition of apple juice concentrate in traditional markets, such as US, Canada and Europe, remains intensified while the emerging markets, such as Asia-Pacific and India, reveal great growing potential on future demand. Chinese economy will maintain a higher growth rate comparing to other countries in 2013 and the juice consumption market in China will maintain a more rapid growing trend. The Company tries the best to seize this market opportunity by developing and inputting into various kinds of juice product in order to actively develop Chinese market and improve product structure as well as profitability.

Looking forward, the Company will consolidate international market through enhancing long term cooperation with customers and maintaining original market share by diversified products and services. As for Chinese market, the Company will actively promote traditional minor juice and mixed juice products, strengthen the R&D and production for products with specific formula, achieve targeted sales amount of juice in China and greatly boost turnover and market share.

In 2013, the Company will carry out technological reform for production equipment and technique; keep an eye on improvement in the advantage of the cost and quality of products; strengthen the R&D ability of the R&D center; and further enhance the organizational structure in order to maintain the competitiveness of the Company in traditional and developed markets while seizing opportunity for innovation in emerging markets, especially Chinese market.

The Group will continue to optimize debt structure and enlarge the weight of middle to long term borrowing to further reduce debt risk. Besides, the Group will endeavor to adjust the currency structure of our debt to effectively lower the borrowing cost as a whole.

As a leader of juice concentrate sector, the Company complies with the policy direction for agriculture and processing industries set out in the "Twelfth Five-Year Plan" and gains policy support from local and central governments in driving the increase in farmers' income, promoting development of vegetable sectors and strengthening technology innovation of processing industry.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to every shareholder, customer and business partner for their continuous support and trust. Would also like to thank our excellent management team and staff for their contribution under the situation of major international markets slowly recover in short term and domestic demand in China tends to grow.

To deal with current market situation, the Company focuses on the R&D and marketing of minor and mixed juice products in long term development to restructure the product structure of the Company from single pillar product to diversified product lines in order to create more profit growing points and diversify operational risk. The Company will keep on advancing the reform on purchase, production and logistics aspects within juice concentrate sector and paying attention food safety to maintain the market competitiveness of the Company in long run. The Company is committed to adjusting and improving the production technology, product structure and organizational management and targets to strengthen the competitiveness and profitability of our products in the coming years.

By Order of the Board
Gao Liang
Chairman

Xi'an, the PRC, 27 March 2013

Management Discussion & Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2012, the Group recorded a revenue of approximately RMB1,918.3 million, representing a decrease of 8.9% over previous year. Gross profit margin for the current year is 11.2% as against 22.1% in previous year.

The decrease in revenue in 2012 was mainly attributable to the decrease in sales volume.

The decrease in gross profit margin in 2012 was mainly attributable to the increase in cost of raw material, apple, in China in 2011/12. The unit cost of raw material increased by 37.7% when comparing the 2010/11 and 2011/12 grinding seasons and which accounted for about 80% of the total production cost. The increase of the raw material costs was mainly attributable to the fact that harvest of apple was much lower in the 2011/12. The shortage of supply raised up the apple price.

Other income increased by 40.8% to approximately RMB37.5 million because subsidies from the PRC Government increased in 2012.

The decrease in distribution and selling expenses by 12.4% to approximately RMB125.7 million was mainly attributable to the decrease in sales volume during the current year.

The decrease in administrative expenses by 10.2% to approximately RMB92.4 million was mainly attributable to the effective control on administrative cost and staff cost.

The increase in finance costs by 20.2% to approximately RMB78.6 million was attributable to the increase in the Group's overall bank and other borrowings in 2012.

Attributable mainly to the aforesaid, the Group substained an audited loss attributable to owners of the Company of approximately RMB55.9 million, as against audited profit attributable to owners of the Company of approximately RMB162.0 million in the previous year.

Liquidity, Financial Resources, Gearing and Capital Commitments

As at 31 December 2012, the Group's bank and other borrowings amounted to approximately RMB1,260.5 million (2011: RMB994.4 million), among which, approximately RMB1,260.5 million were secured by way of charge over the Group's assets and approximately RMB270.5 million were denominated in US dollars while approximately RMB990.0 million were denominated in RMB. The maturity profile of the Group's bank and other borrowings is set out below:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Carrying amount repayable*:		
On demand and within one year	930,896	956,585
More than one year but not exceeding two years	84,000	–
	1,014,896	956,585
Carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	12,571	37,805
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period based on scheduled repayment dates but contain a repayable on demand clause (shown under current liabilities)	233,000	–
	1,260,467	994,390
Less: Amounts due within one year shown under current liabilities	(1,176,467)	(994,390)
Amounts due after one year shown under non-current liabilities	84,000	–

* 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 in March 2013 (2011: repayable by 3 instalments from March 2012 to March 2013).

During the years ended 31 December 2012 and 2011, the Group could not satisfy certain conditions of the loan agreement with the EFI. The Group was unable to obtain letter from EFI to maintain the original term of borrowings and therefore RMB12,571,000 (2011: RMB37,805,000) of the borrowings were classified as current liabilities that are repayable on demand as at 31 December 2012 and 2011.

In addition, the above borrowings were 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 Company.

The total equity of the Group decreased from approximately RMB1,100.8 million as at 31 December 2011 to approximately RMB1,020.8 million as at 31 December 2012. The decrease was attributable to the loss for the year and dividend paid.

The gearing ratio, defined as total liabilities divided by total assets, increased from approximately 69.6% as at 31 December 2011 to 73.5% as at 31 December 2012. Debt to equity ratio, defined as total borrowings divided by total equity, increased from approximately 1.0 times as at 31 December 2011 to 1.4 times as at 31 December 2012.

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

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. To reduce foreign exchange risk, the Group has adopted certain aggressive measures, such as paying part of the payables in US dollar, and taking into account the possible appreciation of RMB before entering into a sales contract.

Capital Commitments

As 31 December 2012, 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 RMB22.4 million.

Pledge of Assets

At 31 December 2012, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits and inventories for security of the Group's borrowings and obligation under finance lease with carrying account of approximately RMB1,035.9 million.

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

Contingent Liabilities

As at 31 December 2012, 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 RMB601,647,000 (2011: RMB709,428,000). The said amount was fully utilised by the third parties. According to the financial guarantee contracts, the Group has legal right to offset the full guarantee amount against trade payables to respective suppliers upon default by the suppliers. The aggregate trade payables to respective suppliers amounted to RMB811,506,000 (2011: RMB922,278,000). In the opinion of the directors, the fair value of the financial guarantee contracts at initial recognition is insignificant.

BUSINESS REVIEW

Review for 2012

Market Structure

During the year under review, the demand of traditional export market was affected by the slow economic recovery, which could not have a recovering growth. In US, anti-dumping duty orders on apple juice concentrate exported from China expired in November 2010, resulting in the intensifying of the market competition among Chinese companies in such market. In Europe, the import volume of apple juice concentrate in 2012 dropped by 26% as compared to 2011 and was substantially the same as 2010. The higher the export tariff and raw materials costs contributed to the weaker competitiveness of Chinese apple juice concentrate industrial players as compared to the local European industrial players. Compared with developed markets, export volume to Asian market maintained a sound growth among emerging markets. In 2012, export amounts of apple juice concentrate of the Group amounted to approximately US$270 million. In 2012, sales in domestic market grew by 54.5% as compared to 2011, which revealed great potential.

Rapid development of minor juice products

In addition to the apple juice concentrates, given the successful development of domestic market, which contains consumption demand on juice based on traditional regimen concept, the Group rapidly developed the domestic market for pear juice concentrate. In 2012, sales of pear juice concentrate in domestic market was 400% higher than 2011. Besides, by virtue of the input in R&D and marketing training for the last few years, certain minor juice concentrate products has preliminarily turned into mature products with scale. In 2012, the Group carried out mass production and sales for certain minor juice products. Development of minor juice markets has enriched the product structure of the Company and created income growing points.

In 2012, the Group maintained the development for new products. Pure strawberry juice concentrate and mixed red jujube juice concentrate were successfully produced in Dalian plant while we carried out trial production of pure purple sweet potato juice concentrate and pure cherry juice concentrate in the plant in Qian province. Trial production lines in the R&D center, located in the new headquarters, have been established and commenced operation for various minor juice products. Construction of QC laboratory was completed, which has been put into operation. Such laboratory is intended to be established as an industrial leading food safety examination platform in Western China, which will be responsible for internal and external examination of the Company.

In 2012, the Company undertook the sub-topic, the "Demonstration on the Research and Industrialization of Key Technologies on Apple Comprehensive Processing", a key technologies and industrialization project for vegetables processing under the "12th Five-Year Plan"; and Whole Industrial Chain Identification for Safety Factors of Kiwi Fruit, a sub-topic of National Science and Technology Support Program Project, to trace origin and control technological research and integration standards; as well as cooperated with HeFei University of Technology to carried out a joint project: Research on the Quality of Raw Materials and Characteristic Components of Pear.

In addition to juice concentrate products, the R&D on the industrial beverage base (mixed juice) closely followed the market trend to produce customized products for our clients.

Strengthening cost control

Under the pressure from competitive market environment, during the grinding seasons in 2012-2013, the Company focused on cost control and improvement in operation efficiency. During the year, the Company initialized the study on innovative materials receipt system to reduce transactions within the supply procedure, which can guarantee the quality of raw materials in a better way and save the purchasing cost. As for cost management, the Company optimized the organizational structure and kept enhancing organizing ability. As of 31 December 2012, total number of staff of the Company was 1,300 and through improving per capita efficiency, management cost was remarkably reduced.

Prospect for 2013

According to the current sales position and international situation, the Company will extend the width and depth of cooperation with strategic customers in 2013, ranging from product varieties, logistics and R&D, to provide all-round service for customers and consolidate the status of the Company in traditional and developed markets through different cooperation. As for emerging markets, the Company will enhance the communication with clients, understand the diversified demand of the customers and consolidate and strengthen the sales of mature minor juice products in order to carry out marketing campaign before launching new products, remain carrying out technological research and applying technology for various juice products. Meanwhile, the Company will strongly promote the establishment of multi-channels of beverage base products, explore new customer base, and cooperate with strategic customers to improve the R&D ability on products with separate formula. Minor juice products and mixed juice products will be the new drivers for profits during grinding seasons in 2013-2014.

In 2013, the Company will endeavor to strengthen its cost advantage. The Company will enhance the comprehensive operation efficiency of plants through improving production efficiency, lowering the consumption of raw materials and optimizing logistic system; reduce management cost through further strengthening organizational establishment; and remarkably mitigate the financial cost through adjusting the proportion of borrowings denominated in foreign currencies.

As for quality management, the Company will reform the original raw materials receipt system to realize effective control over the quality of raw materials; and improve the product quality through technical reform on grinding procedure. Meanwhile, the Company will utilize the QC laboratory in R&D center to continuously manage and control the benchmarks of existing food safety risk in the industry and develop examination method, through which enhances supervision over our products and further strengthens the overall management on food safety.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 52, 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. 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 陝西海升果業發展股份有限公司 (transliterated as 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. Zhang Xiang (張祥), aged 33, joined the Group in 2003. Mr. Zhang is currently the standing vice president and director of Shaanxi Haisheng and is responsible for new product research and development and new business development of the Group. Mr. Zhang obtained his bachelor degree in computer science and technology in The Air Force Engineering University in the PRC in 2003 and studies Master of Business Administration in The Hong Kong Polytechnic University. Mr. Zhang was the deputy general manager and general manager of 陝西海升果業發展股份有限公司渭南分公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Weinan Branch) of the Group and general manager and chairman of branch of Qianxian.

Mr. Ding Li (丁力), aged 40, joined the Group in 1995. Mr. Ding is currently the deputy manager of Shaanxi Haisheng and is responsible for the management of the manufacturing and sales of the Group. He has 17 years of experience in the manufacturing and sales of fruit juice concentrate business. During the period between 2002 and 2011, Mr. Ding was the general manager of 陝西海升果業發展股份有限公司乾縣分公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Qianxian Branch) and 青島海升果業有限責任公司 (transliterated as Qingdao Haisheng Fresh Juice Co., Ltd.), respectively.

Mr. Zhao Chongjun (趙崇軍), aged 37, an executive Director who joined the Group since 2001. He is now responsible for the strategic and financial work of the Group. Mr. Zhao was the general managers of Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd. (安徽碭山海升果業有限公司) and Dalian Haisheng Fresh Fruit Juice Co., Ltd. (大連海升果業有限責任公司). Mr. Zhao obtained a master degree in management from Xian Jiaotung University in 2002 as well as an EMBA degree subsequently from China Europe International Business School in 2011. Mr. Zhao has been appointed as the deputy general manager of Shaanxi Haisheng since January 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Boxiang (趙伯祥), aged 68, 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. Zhao is an independent non-executive director of Shaanxi Northwest New Technology Industry Company Limited (stock code: 8258), which is a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Li Yuanrui (李元瑞), aged 71, 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. Chan Bing Chung (陳秉中), aged 44, was appointed as an independent non-executive Director, chairman of audit committee and members of nomination committee and remuneration committee of the Company on 8 April 2013. Mr. Chan graduated from City Polytechnic of Hong Kong with a bachelor's degree of arts in 1993. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is a director and founder of JP Union & Co., an accounting firm in Hong Kong. Prior to his current position, Mr. Chan was the company secretary and qualified accountant of Hidili Industry International Development Limited (stock code: 1393), a company listed on the main board of the Stock Exchange, during the period between July 2007 and September 2008. Mr. Chan also has approximately 17 years of experience in financial auditing, internal control reporting and compliance advisory with various local and international audit firms. Mr. Chan was an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323) from 17 December 2010 to 15 May 2012.

SENIOR MANAGEMENT

Mr. Terence Sin Yuen Ko (單阮高), aged 41, 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 administration from Hong Kong Lingnan University in 1999.

Corporate Governance Report

INTRODUCTION

The Company is committed to adhere to the regulatory standards of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), improving the corporate governance structure and performing the obligations as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. 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:

Code provision A.2.1 provides that the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). 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.

Code provision A.6.7 (the "Second Deviation") providing for the independent non-executive Directors of the Company to, inter alia, attend general meetings. Code provision E.1.2 (the "Third Deviation") providing for the chairman of the Board (the "Chairman") to attend the annual general meeting. Regarding the Second Deviation and the Third Deviation, the Chairman and two independent non-executive Directors were absent from the last annual general meeting of the Company held on 25 May 2012 due to their other important engagement at the relevant time.

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 2012.

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.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

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
Ms. Liu Li (resigned on 12 June 2012)	2/2
Mr. Li Bing (resigned on 8 April 2013)	4/4
Ms. Wang Xuemei (resigned on 7 September 2012)	2/2
Mr. Zhang Xiang (appointed on 10 July 2012)	2/2
Mr. Ding Li (appointed on 7 September 2012)	2/2
Independent non-executive Directors	
Mr. Zhao Boxiang	4/4
Mr. Li Yuanrui	4/4
Mr. Lo Wai Tat, Andrew (resigned on 8 April 2013)	1/4

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 annual general meetings. The term of the appointment of each of the independent non-executive Directors is three years.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the Board. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or accounting experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

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.

Pursuant to code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all Directors have participated in continuous professional development by attending seminars or trainings or studying relevant materials on the topics related to corporate governance and regulations. The Directors confirmed that they have complied with code provision A.6.5.

REMUNERATION COMMITTEE

The remuneration committee was established in October 2005 with written terms of reference in compliance with the Code. During the Year, the Chairman was Mr. Zhao Boxiang and other members were Mr. Li Yuanrui and Mr. Lo Wai Tat, Andrew. All of the members were independent non-executive Directors.

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

The remuneration committee held 2 meetings during the year ended 31 December 2012 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 Remuneration Committee Meetings**
Mr. Zhao Boxiang *(Chairman)*	2/2
Mr. Li Yuanrui	2/2
Mr. Lo Wai Tat, Andrew (resigned on 8 April 2013)	1/2

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 COMMITTEE

The Company established a nomination committee on 29 March 2012 with written terms of reference in compliance with the Code. During the Year, the nomination committee comprised of four members, Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Lo Wai Tat, Andrew. The chairman of the nomination committee is Mr. Gao Liang.

The role and function of the nomination committee included the review of structure, size and composition of the Board, making recommendations on any proposed changes to the Board, and to consider the past performance and qualifications of Directors, general market conditions and the Articles of Association in selecting and recommending candidates for directorship.

The nomination committee held 2 meetings during the year ended 31 December 2012 to review the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence; review the structure, size and composition of the Board and making recommendations on the change of Board members. Details of the attendance of the nomination committee meetings are as follows:

Directors	**Attendance/Number of Nomination Committee Meetings**
Mr. Gao Liang *(Chairman)*	2/2
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2
Mr. Lo Wai Tat, Andrew (resigned on 8 April 2013)	1/2

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 comprised of three members, Mr. Lo Wai Tat, Andrew, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them were independent non-executive Directors. The chairman of the audit committee was 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)* (resigned on 8 April 2013)	2/2
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2

The Group's audited annual results for the year ended 31 December 2012 and the unaudited interim results for the six months ended 30 June 2012 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.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the total fees paid or payable in respect of audit service provided by the Group's external auditor, Deloitte Touche Tohmatsu, amounted to RMB725,000.

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 24.

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.

COMPANY SECRETARY

As at 31 December 2012, the company secretary of the Company, Mr. Terence Sin Yuen Ko, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the period under review. His biography is set out in the "Directors and Senior Management" section of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company places high priority in establishing effective communications with its shareholders and investors. To promote and enhance investor relations and communications, the Company has established and maintained 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.

SHAREHOLDERS' RIGHTS

In accordance with article 58 of the articles of association of the Company, the Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A Shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

INVESTORS RELATIONS

There was no significant change in the Company's constitutional documents during the year ended 31 December 2012.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Group's principal activities are manufacture and sale of fruit juice concentrate and other related products. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 25 of this annual report. The Board does not recommend any payment of a final dividend for the year ended 31 December 2012.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure of RMB80.4 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 2012 and the past four financial years is set out on page 3 of this annual report. This summary does not form a part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits which in aggregate amounted to approximately RMB634.8 million as at 31 December 2012. 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)*
Ms. Liu Li (resigned on 12 June 2012)
Mr. Li Bing (resigned on 8 April 2013)
Ms. Wang Xuemei (resigned on 7 September 2012)
Mr. Zhang Xiang (appointed on 10 July 2012)
Mr. Ding Li (appointed on 7 September 2012)

Independent non-executive Directors:
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Lo Wai Tat, Andrew (resigned on 8 April 2013)

Pursuant to Article 87(1), Mr. Li Yuanrui will retire by rotation; whereas pursuant to Article 86(3), Mr. Zhang Xiang, Mr. Ding Li, Mr. Zhao Chongjun (appointed on 8 April 2013) and Mr. Chan Bing Chung (appointed on 8 April 2013) 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 10 to 11 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

Mr. Gao Liang has entered into a service agreement with the Company for a term of three years commencing from 19 October 2008. Mr. Gao has signed a service contract with the Company for a term of three years (subject to the termination provisions of the service contract) commencing from 19 October 2011, Ms. Wang Xuemei, Mr. Li Bing and Ms. Liu Li have entered into service agreement with the Company for a term of three years commencing from 4 May 2009, 26 July 2010 and 18 October 2011 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. The Company intends to enter into a new letter of appointment with Mr. Zhao. and Mr. Li.

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

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

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

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

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

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

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

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

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per option. 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 shares 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 following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2012:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2012	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2012
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	11,800,000	–	(2,600,000)	9,200,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	11,800,000	(2,200,000)	(400,000)	9,200,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	12,462,000	–	(1,018,000)	11,444,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	5,018,000	–	(502,000)	4,516,000
				41,080,000	(2,200,000)	(4,520,000)	34,360,000
Exercisable at 31 December 2012							34,360,000

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

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, 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. Li Bing	The Company	Beneficial owner	800,000 Shares (Note 2)	0.06%
Mr. Zhang Xiang (appointed on 10 July 2012)	The Company	Beneficial owner	1,300,000 Shares (Note 2)	0.10%

Notes:

1. As at 31 December 2012, 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. The shares are the underlying shares granted under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, 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%

Notes:

1. The entire issued share capital of Think Honour was held by Mr. Gao Liang, an executive Director.

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.

So far as is known to the Directors or chief executive of the Company, none of the companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 31 December 2012.

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 2012.

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 Company, 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 43.0% of the Group's total turnover and the largest customer accounted for approximately 12.6% of the Group's total turnover for the year 2012. The five largest suppliers accounted for approximately 18.6% of the Group's total purchases and the largest supplier accounted for approximately 5.1% of the Group's total purchases for the year 2012.

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 2012 are set out in note 23 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company's audit committee comprised of three independent non-executive directors, namely Mr. Lo Wai Tat Andrew *(Chairman)*, Mr. Zhao Boxiang and Mr. Li Yuanrui, with written terms of reference in compliance with the Corporate Governance Code.

The audit committee has reviewed and discussed the audited final results for the year ended 31 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

EVENTS AFTER THE REPORTING PERIOD

On 5 February 2013, Shaanxi Haisheng issued and completed the registration of a corporate bond (the "Corporate Bond") with China Central Depository & Clearing Co., Ltd. The principal amount of the Corporate Bond is RMB450,000,000 which is repayable in whole in 2016. The coupon rate of the Corporate Bond is fixed at 6.5% per annum and the coupon interest is paid annually. The underwriting fee amounted to RMB4,050,000 was paid on 5 February 2013.

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, 27 March 2013

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 68, which comprise the consolidated statement of financial position as at 31 December 2012, 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 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 2012, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	7	**1,918,330**	2,106,423
Cost of sales		**(1,702,910)**	(1,640,779)
Gross profit		**215,420**	465,644
Other income	8	**37,483**	26,617
Other gains and losses	9	**(6,894)**	(7,603)
Distribution and selling expenses		**(125,684)**	(143,415)
Administrative expenses		**(92,373)**	(102,896)
Other expenses		**(1,697)**	(312)
Finance costs	10	**(78,616)**	(65,429)
(Loss) profit before tax		**(52,361)**	172,606
Income tax expense	11	**(3,764)**	(9,714)
(Loss) profit for the year	12	**(56,125)**	162,892
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		**(20)**	(377)
Other comprehensive expense for the year		**(20)**	(377)
Total comprehensive (expense) income for the year		**(56,145)**	162,515
(Loss) profit for the year attributable to:			
Owners of the Company		**(55,918)**	161,983
Non-controlling interests		**(207)**	909
		(56,125)	162,892
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(55,938)**	161,606
Non-controlling interests		**(207)**	909
		(56,145)	162,515
(Loss) earnings per share, basic and diluted (RMB cents)	15	**(4.44)**	12.86

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,365,039**	1,383,352
Prepaid lease payments	17	**85,672**	86,840
Deposit paid for purchase of property, plant and equipment		**6,786**	–
		1,457,497	1,470,192
CURRENT ASSETS			
Inventories	18	**1,852,390**	1,578,731
Trade and other receivables	19	**435,537**	384,661
Amounts due from related companies	20	**1,178**	–
Prepaid lease payments	17	**2,509**	2,480
Tax recoverable		**–**	241
Pledged bank deposits	21	**21,044**	25,169
Bank balances and cash	21	**77,924**	157,463
		2,390,582	2,148,745
CURRENT LIABILITIES			
Trade and other payables	22	**1,416,086**	1,398,845
Bills payables	22	**5,320**	3,647
Tax liabilities		**2,008**	–
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings – due within one year	23	**1,176,467**	994,390
Obligation under finance lease	24	**47,801**	28,379
		2,647,745	2,425,324
NET CURRENT LIABILITIES		**(257,163)**	(276,579)
		1,200,334	1,193,613

	NOTES	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	25	**13,039**	13,039
Reserves	27	**1,005,504**	1,085,213
Equity attributable to owners of the Company		**1,018,543**	1,098,252
Non-controlling interests		**2,304**	2,511
Total equity		**1,020,847**	1,100,763
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	23	**84,000**	–
Obligation under finance lease	24	**82,245**	79,050
Deferred tax liabilities	28	**13,242**	13,800
		179,487	92,850
		1,200,334	1,193,613

The consolidated financial statements on pages 25 to 68 were approved and authorised for issue by the board of directors on 27 March 2013 and are signed on its behalf by:

Gao Liang	**Zhang Xiang**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000 (Note 26)	Special reserve RMB'000 (Note 27)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note 27)	Other reserve RMB'000 (Note 27)	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	13,039	202,327	14,596	258,722	(622)	110,449	–	359,499	958,010	14,705	972,715
Exchange difference arising on translation	–	–	–	–	(377)	–	–	–	(377)	–	(377)
Profit for the year	–	–	–	–	–	–	–	161,983	161,983	909	162,892
Total comprehensive income for the year	–	–	–	–	(377)	–	–	161,983	161,606	909	162,515
Recognition of equity-settled share-based payments	–	–	4,923	–	–	–	–	–	4,923	–	4,923
Lapse of share options	–	–	(2,130)	–	–	–	–	2,130	–	–	–
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	(25,200)	(25,200)	–	(25,200)
Appropriated from accumulated profits	–	–	–	–	–	20,759	–	(20,759)	–	–	–
Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	–	–	(238)	(238)
Acquisition of non-controlling interest of a subsidiary	–	–	–	–	–	–	(1,087)	–	(1,087)	(12,865)	(13,952)
At 31 December 2011	13,039	202,327	17,389	258,722	(999)	131,208	(1,087)	477,653	1,098,252	2,511	1,100,763
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**(20)**	**–**	**–**	**–**	**(20)**	**–**	**(20)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(55,918)**	**(55,918)**	**(207)**	**(56,125)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(20)**	**–**	**–**	**(55,918)**	**(55,938)**	**(207)**	**(56,145)**
Recognition of equity-settled share-based payments	**–**	**–**	**1,429**	**–**	**–**	**–**	**–**	**–**	**1,429**	**–**	**1,429**
Lapse of share options	**–**	**–**	**(763)**	**–**	**–**	**–**	**–**	**763**	**–**	**–**	**–**
Dividend recognised as distribution (note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,200)**	**(25,200)**	**–**	**(25,200)**
Appropriated from accumulated profits	**–**	**–**	**–**	**–**	**–**	**10,092**	**–**	**(10,092)**	**–**	**–**	**–**
At 31 December 2012	**13,039**	**202,327**	**18,055**	**258,722**	**(1,019)**	**141,300**	**(1,087)**	**387,206**	**1,018,543**	**2,304**	**1,020,847**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(52,361)**	172,606
Adjustments for:		
Allowances for inventories	**33,368**	112
Direct write-off of inventories	**446**	736
Reversal of allowance for inventories	**(15)**	(824)
Bad debts written off	**–**	2,181
Depreciation of property, plant and equipment	**97,007**	95,081
Finance costs	**78,616**	65,429
Interest income	**(2,292)**	(787)
Loss on disposal of property, plant and equipment	**206**	4,383
Gain on disposal of land use right	**–**	(176)
Share-based payment expense	**1,429**	4,923
Release of prepaid lease payments	**2,238**	2,340
Operating cash flows before movements in working capital	**158,642**	346,004
Increase in inventories	**(307,458)**	(257,633)
Increase in trade and other receivables	**(51,865)**	(76,572)
Increase in trade and other payables	**20,272**	466,750
Increase (decrease) in bills payables	**1,673**	(31,193)
Cash (used in) generated from operations	**(178,736)**	447,356
Income tax paid	**(2,073)**	(5,613)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(180,809)**	441,743
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(90,827)**	(57,279)
Advances to related companies	**(50,030)**	–
Placement of pledged bank deposits	**(12,799)**	(19,588)
Withdrawal of pledged bank deposits	**16,924**	14,386
Payment for land use right	**(1,421)**	(18,091)
Interest received	**1,144**	787
Proceeds on disposal of property, plant and equipment	**1,489**	5,934
Repayment from related companies	**50,000**	–
Proceeds on disposal of land use right	**–**	204
NET CASH USED IN INVESTING ACTIVITIES	**(85,520)**	(73,647)

	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES		
Repayments of bank and other borrowings and finance lease	**(1,553,616)**	(1,530,893)
Interests paid on bank and other borrowings and finance lease	**(77,674)**	(66,672)
Dividend paid	**(25,200)**	(25,200)
New bank and other borrowings and finance lease raised	**1,843,280**	1,236,096
Acquisition of non-controlling interest of a subsidiary	**–**	(13,952)
Dividends paid to non-controlling interests of a subsidiary	**–**	(582)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**186,790**	(401,203)
Net DECREASE IN CASH AND CASH EQUIVALENTS	**(79,539)**	(33,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**157,463**	190,570
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**77,924**	157,463

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 while its subsidiaries are principally engaged in the manufacture and sale of fruit juice concentrate and related products.

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

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has adopted the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets; and
IFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income. Under the amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

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 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably..

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 income can be measured reliably. Interest income 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 for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified into 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 are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of construction in progress. Construction in progress are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

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

The Group as lessee

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).

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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 case 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

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 transactions. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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 reasonable assurance that the Group will comply with the conditions attaching to them and that 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. Specifically, 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.

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 defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

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 before tax 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 temporary 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 difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest 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, amounts due from related companies, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 loans and receivables, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 from 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payables, dividend payable to non-controlling shareholders of a subsidiary and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 of obligation under the contract, as 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 the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to the accumulated profits.

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 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 review on property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment and hence involves consideration of the value in use. The cash flows used in the value in use calculation are based on the most up-to-date budgets and plans formally approved by management covering a 5-year period and are based on reasonable and supportable assumptions. For impairment assessment as at 31 December 2012, discount rate of 11% has been used. No impairment loss on property, plant and equipment was recognised in 2012. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the property, plant and equipment to exceed the aggregate recoverable amount of property, plant and equipment. As at 31 December 2012, the carrying amount of property, plant and equipment is RMB1,365,039,000 (2011: RMB1,383,352,000).

Estimated impairment of trade receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgments. When there is objective evidence of impairment loss, the Group estimates the future cash flows to determine the impairment loss. A considerable amount of judgment is required in assessing the ultimate collection of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, material amount of allowances may be required. The carrying amount of trade receivables as at 31 December 2012 is RMB184,025,000 (2011: RMB141,513,000), net of allowance for doubtful debts of RMB5,107,000 (2011: RMB5,107,000).

Write-down of inventories

The management reviews the aging of inventories at the end of the 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 realisable 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 and makes allowance for obsolete items. Where the actual future cash flows from sales are less than expected, a material allowance for inventory may arise. As at 31 December 2012, the carrying amount of inventories is RMB1,852,390,000 (2011: RMB1,578,731,000), net of allowance for inventories of RMB33,465,000 (2011: RMB112,000).

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 optimisation 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 includes the borrowings disclosed in note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

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 payment of dividends, issue of new shares and/or new debt or extension or redemption of its existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2012	2011
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**287,081**	330,671
Financial liabilities		
Amortised cost	**2,631,353**	2,322,545

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, dividend payable to non-controlling shareholders of a subsidiary, bank and other borrowings and obligation under finance lease. 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

(i) *Currency risk*

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 54% (2011: 56%) of the Group's sales are denominated in foreign currency, United States dollar ("USD").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**297,781**	263,654	**166,670**	182,420

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against 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 end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2011: an increase in post-tax profit) where RMB strengthen 5% against USD and vice versa.

	2012	2011
	RMB'000	RMB'000
(Loss) profit for the year	**4,917**	3,046

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 23 for details), fixed-rate pledge bank deposits (see note 21 for details) and obligation under finance lease (see note 24 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 23 for details), amount due from related companies (see note 20 for details) and bank balances (see notes 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 loss for the year ended 31 December 2012 would increase/decrease by RMB1,925,000 (2011: post-tax profit would decrease/increase by RMB1,616,000). This is mainly attributable to the Group's exposure to the fluctuation of London Interbank Offered Rate ("LIBOR") and The People's Bank of China Base Lending Rate ("PBCBLR") on its variable-rate bank and other borrowings.

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances and amounts due from related companies since the impact to the Group's result for 2012 and 2011 is not significant.

Credit risk

As at 31 December 2012, 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 34.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of financial guarantees provided to the suppliers, the Group will provide such guarantees to those suppliers only when the Group has trade payable due to them will amount greater than the financial guarantees granted and the legal right to offset with the financial guarantees. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group has concentration of credit risk on trade receivables with exposure limited to certain counterparties and customers. As at 31 December 2012, the five largest customers accounted for approximately 34% (2011: 52%) of the Group's trade receivables. The five customers are located in United States of America (the "USA"), South Africa and Japan. These top five customers have good credit rating and repayment history. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 64% (2011: 45%) of the total trade receivables as at 31 December 2012. 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

The Group had net current liabilities of RMB257,163,000 as at 31 December 2012. Included in bank and other borrowings due within one year, RMB233,000,000 are bank loans that are not repayable within one year from the end of the reporting period based on scheduled repayment dates but contain a repayable on demand clause. The directors do not believe that it is probable that the banks will exercise their discretionary rights to demand for repayment within one year. The directors of the Company are satisfied that with its existing resources, available unutilised banking facilities of RMB1,160,756,000 and estimated future cash flows, the Group will have sufficient working capital to meet in full its financial obligations as they fall due for the foreseeable future and be able to continue to operate with no significant financial difficulties.

Subsequent to the end of the reporting period, a subsidiary of the Company issued a corporate bond in the PRC and raised a net proceed of RMB445,950,000 to support the Group's operations (see note 37 for details).

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.

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 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment terms.

2012

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2012 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	207,956	737,197	420,350	–	1,365,503	1,365,503
Bills payables	–	5,320	–	–	–	5,320	5,320
Dividend payable to non-controlling shareholders of a subsidiary	–	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	4.41	745,964	–	–	–	745,964	745,964
– variable-rate	4.85	430,986	965	4,422	84,933	521,306	514,503
Obligation under finance lease	5.84	–	13,731	41,193	91,617	146,541	130,046
Financial guarantee contracts	–	601,647	–	–	–	601,647	–
		1,991,936	751,893	465,965	176,550	3,386,344	2,761,399

2011

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2011 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	1,213,367	928	110,150	–	1,324,445	1,324,445
Bills payables	–	3,647	–	–	–	3,647	3,647
Dividend payable to non-controlling shareholders of a subsidiary	–	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	4.16	563,576	–	–	–	563,576	563,576
– variable-rate	5.30	430,814	–	–	–	430,814	430,814
Obligation under finance lease	6.49	7,374	–	27,882	88,067	123,323	107,429
Financial guarantee contracts	–	709,428	–	–	–	709,428	–
		2,928,269	928	138,032	88,067	3,155,296	2,429,974

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 the amount is claimed by the counterparty to the guarantee. According to the financial guarantee contracts, the Group has legal right to offset the full guarantee amount against trade payables to its suppliers (see note 34 for details) upon default by the suppliers. 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Bank and other borrowings with a repayment on demand clause are included in the "less than 1 month or on demand" time band in the above maturity analysis. As at 31 December 2012, the aggregate carrying amounts of these bank loans amounted to RM1,163,896,000 (2011: RMB956,585,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and financial institution will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within 1 to 2 years (2011: within 1 year) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

Bank and other borrowings subject to a repayment on demand clause based on scheduled repayments are as below:

	Weighted average interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2012							
– fixed-rate	**4.41**	**3,448**	**245,745**	**404,873**	**114,001**	**768,067**	**745,964**
– variable-rate	**4.85**	**82,026**	**66,185**	**161,546**	**128,365**	**438,122**	**417,932**
		85,474	**311,930**	**566,419**	**242,366**	**1,206,189**	**1,163,896**
At 31 December 2011							
– fixed-rate	4.16	65,176	4,039	503,726	–	572,941	563,756
– variable-rate	5.30	2,047	58,070	345,506	–	405,623	393,009
		67,223	62,109	849,232	–	978,564	956,585

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

6c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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 chief operating decision makers, which are the executive directors, regularly review revenue by locations of customers including North America, Asia, South Africa, Europe, Russia and Australia, and the consolidated statement of comprehensive income to make decision about resources allocations and performance assessment. (Loss) profit for the year is the segment result reviewed by the executive 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 the manufacture and sales of fruit juice concentrate and related products. About 90% (2011: 91%) of revenue are generated from apple juice concentrate and related products.

Geographic information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by locations of customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
North America	**1,033,780**	1,206,098	**166**	205
Asia	**540,725**	399,726	**1,457,331**	1,469,987
South Africa	**160,202**	221,918	**–**	–
Europe	**60,342**	155,581	**–**	–
Russia	**47,163**	91,857	**–**	–
Australia	**76,118**	31,243	**–**	–
	1,918,330	2,106,423	**1,457,497**	1,470,192

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2012 RMB'000	2011 RMB'000
Customer A	N/A [1]	213,561
Customer B	241,081	N/A [1]

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

8. OTHER INCOME

	2012 RMB'000	2011 RMB'000
PRC Government subsidies (note)	11,008	3,474
Bank interest income	1,144	787
Interest income on advances to related companies	1,148	–
Amortisation of deferred income (note 22)	19,000	19,000
Others	5,183	3,356
	37,483	26,617

Note: The subsidies from the PRC Government recognised by the Group in both years represent subsidies for encouraging the Group's export sales and 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

	2012 RMB'000	2011 RMB'000
Net foreign exchange loss	6,688	1,215
Loss on disposal of property, plant and equipment	206	4,383
Gain on disposal of land use right	–	(176)
Bad debts written off	–	2,181
	6,894	7,603

10. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**71,529**	59,325
– finance leases	**7,087**	8,014
Less: interest subsidies from the PRC Government (note)	**–**	(1,910)
	78,616	65,429

Note: The subsidies from the PRC Government recognised by the Group in 2011 represented 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. No subsidies in 2012 as the PRC Government has not yet approved the Group's application for the subsidies.

11. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax:		
PRC Enterprise Income tax ("EIT")	**2,514**	2,505
Other jurisdiction	**322**	514
	2,836	3,019
Underprovision in prior years:		
PRC EIT	**1,486**	2,825
	4,322	5,844
Deferred tax (note 28)	**(558)**	3,870
	3,764	9,714

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 PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, a PRC subsidiary enjoys a preferential tax rate of 15% for 2011 and 2012. The PRC subsidiary will need to apply for the preferential tax rate every year. The relevant approval has been obtained.

11. INCOME TAX EXPENSE (Continued)

For the year ended 31 December 2011 and 2012, certain subsidiaries of the Company, Shaanxi Haisheng, 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"), 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Juice Co., Ltd. ("Qingdao Haisheng"), 大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng"), 栖霞海升果業有限公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd. ("Qixia Haisheng") and 伊天果汁(陝西)有限公司 translated as Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") were approved as "農產品初加工企業" in relation to their production of juice concentrate products. As a result, Shaanxi Haisheng, Qingdao Haisheng, Dalian Haisheng, Qixia Haisheng and Yitian Shaanxi were exempted from EIT for both years. Certain provinces required the application of tax exemption under "農產品初加工企業" every year. The relevant approval has been obtained.

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

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

	2012 **RMB'000**	2011 RMB'000
(Loss) profit before tax	**(52,361)**	172,606
Tax at the domestic income tax rate of 25%	**(13,090)**	43,152
Tax effect of expenses not deductible for tax purpose	**1,073**	2,455
Tax effect of income not taxable for tax purpose	**(7,502)**	(5,619)
Tax effect of deductible temporary differences not recognised	**8,454**	212
Tax effect of tax losses not recognised	**33,913**	10,218
Effect of tax exemption and tax concession	**(20,681)**	(48,080)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**111**	126
Effect of tax on undistributed earnings of PRC's subsidiaries	**–**	4,425
Underprovision in respect of prior years	**1,486**	2,825
Tax charge for the year	**3,764**	9,714

Details of movements in deferred tax liabilities are set out in note 28.

12. (LOSS) PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration (note 13)	**3,203**	3,669
Salaries and wages	**57,904**	67,991
Retirement benefits scheme contributions	**7,500**	7,855
Share-based payments	**1,134**	4,172
Total staff costs	**69,741**	83,687
Auditor's remuneration	**725**	891
Release of prepaid lease payments (included in administrative expenses)	**2,238**	2,340
Depreciation of property, plant and equipment	**97,007**	95,081
Cost of inventories recognised as an expense (note)	**1,702,910**	1,640,779

Note: For the year ended 31 December 2012, included in the cost of sales is the net allowance for inventories amounted to RMB33,353,000 (2011: net reversal of allowance for inventories of RMB712,000) and direct write-off of inventories amounted to RMB446,000 (2011: RMB736,000). The net allowance for inventories includes reversal of allowance for inventories amounted to RMB15,000 (2011: RMB824,000) and allowance for inventories amounted to RMB33,368,000 (2011: RMB112,000). The reversal was made based on subsequent sales during the year.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	2012						2011					
	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Zhao Boxiang	60	–	–	–	–	60	60	–	–	–	–	60
Mr. Li Yuanrui	60	–	–	–	–	60	60	–	–	–	–	60
Mr. Lo Wai Tat, Andrew	60	–	–	–	–	60	60	–	–	–	–	60
Mr. Gao Liang	–	880	22	44	–	946	–	880	220	40	–	1,140
Mr. Li Bing	–	480	120	44	59	703	–	480	120	40	167	807
Mr. Zhang Xiang (note i)	–	215	50	22	59	346	–	–	–	–	–	–
Mr. Ding Li (note ii)	–	123	27	3	–	153	–	–	–	–	–	–
Mr. Liang Yi (note iii)	–	–	–	–	–	–	–	330	–	17	–	347
Ms. Liu Li (note iv)	–	288	78	20	126	512	–	130	33	8	417	588
Ms. Wang Xuemei (note v)	–	222	60	30	51	363	–	320	80	40	167	607
	180	2,208	357	163	295	3,203	180	2,140	453	145	751	3,669

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Notes:

(i) Mr. Zhang Xiang was appointed on 10 July 2012.

(ii) Mr. Ding Li was appointed on 7 September 2012.

(iii) Mr. Liang Yi resigned on 18 October 2011.

(iv) Ms. Liu Li was appointed on 18 October 2011 and resigned on 12 June 2012.

(v) Ms. Wang Xuemei resigned on 7 September 2012.

Mr. Gao Liang is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

The bonus payment is determined based on the Group's performance for the year.

Employees' emoluments

The five highest paid individuals included three (2011: three) were directors and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining 2 highest paid individuals and each fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB814,000) for the years ended 31 December 2012 and 2011, are as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and allowances	**800**	888
Retirement benefits scheme contributions	**88**	40
Share-based payments	**59**	271
	947	1,199

During the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the directors or the 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 2012 and 2011.

14. DIVIDENDS

	2012 **RMB'000**	2011 RMB'000
Dividends recognised as distribution during the year	**25,200**	25,200

The Board does not recommend any payment of final dividend for the year ended 31 December 2012.

During the year ended 31 December 2012 and 2011, the final dividend of RMB25,200,000, representing RMB2.0 cents for ordinary shares in respect of the year ended 31 December 2011 and 2010 were declared by the Board and had been recognised and distributed during the year.

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the loss for the year attributable to owners of the Company of RMB55,918,000 (2011: profit for the year attributable to owners of the Company of RMB161,983,000) and on the number of 1,260,000,000 shares (2011: the number of 1,260,000,000 shares) in issue during the year.

The computation of the diluted loss per share for the year ended 31 December 2012 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share.

No diluted earnings per share was presented for the year ended 31 December 2011 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 2011	683,788	1,113,934	11,491	14,040	1,188	1,824,441
Additions	1,080	11,138	1,218	2,726	37,887	54,049
Transfer	–	2,815	–	–	(2,815)	–
Disposals	(4,489)	(14,353)	(1,980)	(1,107)	–	(21,929)
At 31 December 2011	680,379	1,113,534	10,729	15,659	36,260	1,856,561
Additions	5,888	12,848	368	1,543	59,743	80,390
Transfer	1,107	12,772	–	–	(13,879)	–
Disposals	–	(3,116)	(464)	(1,178)	–	(4,758)
Exchange realignment	–	–	–	(116)	–	(116)
At 31 December 2012	687,374	1,136,038	10,633	15,908	82,124	1,932,077
DEPRECIATION						
At 1 January 2011	68,811	310,413	3,961	6,555	–	389,740
Provided for the year	19,516	72,697	1,122	1,746	–	95,081
Eliminated on disposals	(1,481)	(7,731)	(1,456)	(944)	–	(11,612)
At 31 December 2011	86,846	375,379	3,627	7,357	–	473,209
Provided for the year	19,451	74,894	1,043	1,619	–	97,007
Eliminated on disposals	–	(1,840)	(371)	(852)	–	(3,063)
Exchange realignment	–	–	–	(115)	–	(115)
At 31 December 2012	106,297	448,433	4,299	8,009	–	567,038
CARRYING VALUES						
At 31 December 2012	581,077	687,605	6,334	7,899	82,124	1,365,039
At 31 December 2011	593,533	738,155	7,102	8,302	36,260	1,383,352

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 years/rates per annum:

Buildings	20 to 40 years or shorter of the lease terms of the relevant leasehold lands
Machinery	5.05 – 16.66%
Motor vehicles	10 – 20%
Office equipment	20%

The carrying value of machinery of RMB687,605,000 (2011: RMB738,155,000) includes an amount of RMB232,973,000 (2011: RMB179,506,000) in respect of assets held under finance leases.

As at the end of the reporting period, in view of operating loss incurred for the year, the directors conducted an annual review of the Group's property, plant and equipment and prepaid lease payments. The recoverable amounts of the relevant assets have been determined based on the value in use calculation. The discount rate in measuring the recoverable amounts determined based on the value in use was 11%. No impairment loss has been recognised in profit or loss for the year.

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments located in the PRC are categorised as:

	2012 **RMB'000**	2011 RMB'000
Current assets	**2,509**	2,480
Non-current assets	**85,672**	86,840
	88,181	89,320

The carrying amount of prepaid lease payments consisted of long lease amounting to RMB6,928,000 (2011: RMB7,059,000) and medium-term lease amounting to RMB81,253,000 (2011: RMB82,261,000).

The prepaid lease payments are amortised over 20 to 70 years on a straight-line basis. As at 31 December 2011, the Group had fully paid consideration for land use rights but has not yet obtained the title of certain land use rights with an aggregate carrying amount of RMB26,450,000 included in medium-term lease. The legal title of such land use rights was obtained during the year.

18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**25,736**	21,944
Work in progress	**339,632**	400,125
Finished goods	**1,487,022**	1,156,662
	1,852,390	1,578,731

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**189,132**	146,620
Less: allowance for doubtful debts	**(5,107)**	(5,107)
	184,025	141,513
Value added tax recoverable and other tax recoverables	**224,634**	210,679
Advances to suppliers	**10,623**	11,142
Others	**16,255**	21,327
	435,537	384,661

The Group allows an average credit period of 30 to 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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 RMB'000	2011 RMB'000
Aged:		
0 – 90 days	**183,806**	141,513
91 – 180 days	**219**	–
	184,025	141,513

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB219,000 (2011: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The amount past due but not impaired are aged 91-180 days.

The directors of the Company considered trade receivables which are past due but not impaired are of mostly the renowned international beverage manufacturers, therefore based on the past history, the collectability is expected.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,107,000 (2011: RMB5,107,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
1 January	**5,107**	5,278
Amounts written off as uncollectible	**–**	(171)
31 December	**5,107**	5,107

As at 31 December 2012, the Group has trade and other receivables of USD24,916,000, equivalent to RMB156,571,000 (2011: USD21,118,000, equivalent to RMB133,063,000) which are denominated in foreign currency of the relevant group entities.

20. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, repayable on demand and carries interest at prevailing market rates. The related companies are beneficially owned and controlled by a director of the Company who is also a shareholder of the Company.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2012, the pledged bank deposits of RMB21,044,000 (2011: RMB25,169,000) carried an average fixed interest rate of 3.5% (2011: 3.1%) per annum and bank balances of RMB77,736,000 (2011: RMB157,303,000) carried prevailing interest rate of 0.35% (2011: 0.50%) per annum.

The pledged bank deposits are used to secure the bills payables which is payable within three months to six months. Accordingly, the pledged bank deposits are classified as current assets.

As at 31 December 2012, the Group has bank balances and cash of USD1,607,000, equivalent to RMB10,099,000 (2011: USD7,842,000, equivalent to RMB49,414,000) which are denominated in foreign currency of the relevant group entities.

22. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**1,348,235**	1,310,624
Payable for acquisition of property, plant and equipment	**1,785**	5,758
Advances from customers	**1,542**	2,358
Accrual salaries	**8,248**	9,400
Accrual interest	**4,677**	3,735
Other tax payable	**6,818**	5,718
Deferred income (note)	**19,000**	38,000
Others	**25,781**	23,252
	1,416,086	1,398,845

Note: The balance represents the deferred income arisen from an exclusive distribution right, which the Group offers to a distributor (also the vendor of the transaction) in Japan for a term of three years up to 2013 upon an acquisition of subsidiaries in prior year.

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

As at 31 December 2012, the Group has trade and other payables of USD4,346,000 equivalent to RMB27,314,000 (2011: USD2,026,000, equivalent to RMB12,763,000) which are denominated in foreign currency of the relevant group entities.

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

	2012 RMB'000	2011 RMB'000
Aged:		
0 – 90 days	**1,271,662**	1,198,532
91 – 180 days	**62,371**	107,819
181 – 365 days	**11,663**	1,600
Over 1 year	**2,539**	2,673
	1,348,235	1,310,624

The bills payables for both years are aged within 90 days based on the invoice dates at the end of the reporting period.

23. BANK AND OTHER BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loans	**1,247,896**	956,585
Borrowings from non-bank financial institution (note)	**12,571**	37,805
	1,260,467	994,390
Analysis:		
Secured	**1,260,467**	519,027
Unsecured	**–**	475,363
	1,260,467	994,390
Analysis:		
Fixed-rate borrowings	**745,964**	563,576
Variable-rate borrowings	**514,503**	430,814
	1,260,467	994,390

23. BANK AND OTHER BORROWINGS (Continued)

	2012 RMB'000	2011 RMB'000
Carrying amount repayable*:		
On demand and within one year	**930,896**	956,585
More than one year but not exceeding two years	**84,000**	–
	1,014,896	956,585
Carry amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**12,571**	37,805
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period based on schedule repayment dates but contain a repayable on demand clause (shown under current liabilities)	**233,000**	–
	1,260,467	994,390
Less: Amounts due within one year shown under current liabilities	**(1,176,467)**	(994,390)
Amounts due after one year shown under non-current liabilities	**84,000**	–

* 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 in March 2013 (2011: repayable by 3 instalments from March 2012 to March 2013).

During the year ended 31 December 2012 and 2011, the Group could not satisfy certain conditions of the loan agreement with the EFI. The Group was unable to obtain letter from the EFI to maintain the original term of borrowings and therefore RMB12,571,000 (2011: RMB37,805,000) of the borrowings were classified as current liabilities that are repayable on demand as at 31 December 2012 and 2011.

In addition, the above borrowings were secured by the 67.64% equity interest of Qingdao Haisheng, a non-wholly owned subsidiary, which is held by another non-wholly owned subsidiary of the Company.

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**1.11% to 7.70%**	3.12% to 5.20%
Variable-rate borrowings	**2.48% to 7.22%**	3.52% to 7.09%

As at 31 December 2012, the Group has borrowings of USD43,030,000, equivalent to RMB270,467,000 (2011: USD40,000,000, equivalent to RMB252,036,000) which are denominated in foreign currency of the relevant group entities.

24. OBLIGATION UNDER FINANCE LEASE

	2012 **RMB'000**	2011 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**47,801**	28,379
Non-current liabilities	**82,245**	79,050
	130,046	107,429

In July 2010, the Group entered into a finance lease agreement pursuant to which the Group sold its machineries amounting to RMB221,397,000 to an independent third party and leased back the machineries with a lease period of 5 years. In August 2012, the Group early terminated the finance lease agreement entered into in July 2010 and entered into a new finance lease arrangement. Under the new finance lease agreement, the Group sold its machineries to an independent third party and leased back the machineries with a lease period of 3 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 rate underlying the obligation under finance lease is fixed at respective contract dates by 5.84% (2011: 6.49%) per annum. The net amount received by the Group in respect of this new finance lease agreement is RMB150,000,000.

	Minimum lease payments		**Present value of minimum lease payments**	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Amounts payable under finance lease				
Within one year	**54,924**	35,256	**47,801**	28,379
In more than one year but not more than two years	**54,924**	35,256	**50,684**	30,265
In more than two years but not more than five years	**36,693**	52,811	**31,561**	48,785
	146,541	123,323	**130,046**	107,429
Less: Future finance charges	**(16,495)**	(15,894)	**–**	–
Present value of lease obligation	**130,046**	107,429	**130,046**	107,429
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(47,801)**	(28,379)
Amount due for settlement after 12 months			**82,245**	79,050

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

25. SHARE CAPITAL

The Company	Number of shares	Amounts
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 2012	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 2012	1,260,000,000	12,600,000

	2012	2011
	RMB'000	RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,039**	13,039

26. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

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

26. 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 and directors during the year ended 31 December 2012:

Date of grant	Vesting period	Exercise price	Exercisable period	Outstanding at 1.1.2012	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2012
		HK$					
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	11,800,000	–	(2,600,000)	9,200,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	11,800,000	(2,200,000)	(400,000)	9,200,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	12,462,000	–	(1,018,000)	11,444,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	5,018,000	–	(502,000)	4,516,000
				41,080,000	(2,200,000)	(4,520,000)	34,360,000
Exercisable at 31 December 2012							34,360,000

The Group recognised the total expense of RMB1,429,000 (2011: RMB4,923,000) for the year ended 31 December 2012 in relation to share options granted by the Company.

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2011:

Date of grant	Vesting period	Exercise price	Exercisable period	Outstanding at 1.1.2011	Granted during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2011
		HK$						
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	–	12,550,000	(750,000)	–	11,800,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	–	12,550,000	(750,000)	–	11,800,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	14,686,000	–	–	(2,224,000)	12,462,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	6,270,000	–	–	(1,252,000)	5,018,000
				20,956,000	25,100,000	(1,500,000)	(3,476,000)	41,080,000
Exercisable at 31 December 2011								17,480,000

The estimated fair value of the share options granted on 4 July 2011 was HK$0.34 (equivalent to RMB0.283).

26. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	4 July 2011
Closing share price at the date of grant	HK$0.99
Exercise price	HK$0.99
Annual risk-free rate	0.73%
Expected volatility	58%
Expected life	3 years
Expected dividend yield	2.4%

Expected volatility was determined by using the historical volatility of the Company's share price over few years immediately preceding the date of grant for the two tranches of the options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

27. RESERVES

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.

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.

Other reserve

In July 2011, the Group acquired the remaining 30% equity interest of one of its subsidiaries from the non-controlling shareholder for an aggregate consideration of RMB13,952,000. The excess of the fair value of the consideration paid over the adjustment to non-controlling interests has been recognised directly to equity.

28. DEFERRED TAXATION

	Fair value adjustment at acquisition	Temporary differences arising from withholding tax	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	4,000	5,930	9,930
(Credit) charge for the year	(555)	4,425	3,870
At 31 December 2011	3,445	10,355	13,800
Credit for the year	(558)	–	(558)
At 31 December 2012	2,887	10,355	13,242

At 31 December 2012, the Group has estimated unutilised tax losses of RMB428,090,000 (2011: RMB316,823,000) available to set off against future assessable profit. No deferred tax asset has been recognised due to the unpredictability of future profit stream. The unrecognised tax losses will expire on various dates up to 2017 (2011: various dates up to 2016).

During the year ended 31 December 2012, the Group has deductible temporary differences arising from allowance for inventories of RMB33,368,000 (2011: RMB112,000) and direct write-off of inventories of RMB446,000 (2011: RMB736,000). 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 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 2011, deferred taxation liability of RMB4,425,000 (2012: Nil) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

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

29. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2012 RMB'000	2011 RMB'000
Premises	**462**	1,141

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:

	2012 RMB'000	2011 RMB'000
Within one year	**461**	462
In the second to fifth year inclusive	**923**	1,388
	1,384	1,850

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

30. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**22,415**	38,714

31. PLEDGE OF ASSETS

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

	2012 RMB'000	2011 RMB'000
Property, plant and equipment	**669,928**	649,107
Prepaid lease payments	**59,165**	34,035
Pledged bank deposits	**21,044**	25,169
Inventories	**285,735**	176,815
	1,035,872	885,126

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

32. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with related companies:

	Interest income received	
	2012	2011
	RMB'000	RMB'000
Related companies (Note)	**1,148**	–

Note: The related companies are beneficially owned and controlled by a director of the Company who is also a shareholder of the Company. In addition, during the year, the Group had made advancement to the related companies which carries interest at prevailing market rates. During the year, the related companies had made repayment to the Group.

(b) Except for the amounts due from related companies as disclosed in note 20 and the balance of dividend payable to the non-controlling shareholders of a subsidiary, who include one director of the Company, one director of that subsidiary and a company beneficially owned and controlled by a director of the Company, disclosed in the consolidated statement of financial position of the Group, in the opinion of the directors, there are no other material balance and transactions with the related companies of the Group.

(c) 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.

33. RETIREMENT BENEFITS SCHEME

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

During the year, the retirement benefit scheme contributions amounted to RMB7,663,000 (2011: RMB8,000,000).

34. CONTINGENT LIABILITIES

As at 31 December 2012, 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 RMB601,647,000 (2011: RMB709,428,000). The said amount was fully utilised by the third parties. According to the financial guarantee contracts, the Group has legal right to offset the full guarantee amount against trade payables to respective suppliers upon default by the suppliers. The aggregate trade payables to respective suppliers amounted to RMB811,506,000 (2011: RMB922,278,000). In the opinion of the directors, the fair value of the financial guarantee contracts at initial recognition is insignificant.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 RMB'000	2011 RMB'000
ASSETS		
Investments in subsidiaries	**629,164**	629,164
Amount due from a subsidiary	**21,397**	30,751
Bank balances	**10,537**	3,323
Dividend receivable	**7,282**	32,389
	668,380	695,627
LIABILITIES		
Other payables	**1,076**	1,254
Amount due to a subsidiary	**1,364**	1,364
	2,440	2,618
	665,940	693,009
CAPITAL AND RESERVES		
Share capital (note 25)	**13,039**	13,039
Share premium and reserves*	**652,901**	679,970
	665,940	693,009

* Movements in share premium and reserves during the current and prior years are as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Share options reserve RMB'000 (Note 26)	Accumulated profits RMB'000	Total RMB'000
At 1 January 2011	202,327	431,247	14,596	1,173	649,343
Profit for the year	–	–	–	50,904	50,904
Recognition of equity-settled share based payments	–	–	4,923	–	4,923
Lapse of share options	–	–	(2,130)	2,130	–
Dividend recognised as distribution	–	–	–	(25,200)	(25,200)
At 31 December 2011	202,327	431,247	17,389	29,007	679,970
Loss for the year	–	–	–	(3,298)	(3,298)
Recognition of equity-settled share based payments	–	–	1,429	–	1,429
Lapse of share options	–	–	(763)	763	–
Dividend recognised as distribution	–	–	–	(25,200)	(25,200)
At 31 December 2012	202,327	431,247	18,055	1,272	652,901

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to a group reorganisation.

36. SUBSIDIARIES

The particulars of the subsidiaries of the Company as at 31 December 2012 and 2011 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 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Wisdom Expect Investments Limited	The British Virgin Islands	Ordinary shares US$200	**100%**	100%	**–**	–	Investment holding
Shaanxi Haisheng[1]	The PRC	RMB185,780,000	**16.6%**	16.6%	**83.0%**	83.0%	Manufacture and sale of fruit juice concentrate
Dalian Haisheng[1]	The PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
Qingdao Haisheng[1]	The PRC	RMB275,000,000	**25.1%**	25.1%	**74.6%**	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.[2]	The PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Qixia Haisheng [2]	The PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	The USA	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
Yitian Shaanxi [2]	The PRC	RMB143,174,014	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
萊陽伊天果汁有限公司[1] translated as Laiyang Yi-Tian Juice Co., Ltd.	The PRC	RMB171,466,920	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate

Notes:

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

37. EVENT AFTER THE REPORTING PERIOD

On 5 February 2013, Shaanxi Haisheng issued and completed the registration of a corporate bond (the "Corporate Bond") with China Central Depository & Clearing Co., Ltd. The principal amount of the Corporate Bond is RMB450,000,000 which is repayable in whole in 2016. The coupon rate of the Corporate Bond is fixed at 6.5% per annum and the coupon interest is paid annually. The underwriting fee amounted to RMB4,050,000 was paid on 5 February 2013.