1. General

The Company is a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability under the Companies Law, (2000 Revision) Chapter 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 January 2004 and its shares of HK$0.01 each ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 4 November 2005. 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.

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on 19 October 2005. The Company is an investment holding company and the companies now comprising the Group are principally engaged in the manufacture and sale of fruit juice concentrate and related products.

Being a part of the Group Reorganization, in December 2004, Wisdom Expect Investments Limited ("Wisdom Expect"), a company incorporated in the British Virgin Islands, acquired the subsidiaries operated in the Peoples' Republic of China (the "PRC") from the then shareholders and became the holding company of those PRC subsidiaries thereafter. In January 2005, the non-redeemable convertible bonds of an aggregate principal amount of US$20 million were issued to certain investors by Wisdom Expect and then the investors converted the convertible bonds to the share capital of Wisdom Expect in April 2005.

In connection with the Group Reorganisation, the Company acquired the entire issued share capital of Wisdom Expect Investments Limited from its then shareholders in consideration of the Company issuing 99,999,961 Shares to its then shareholders. Details of these are set out in note 22 and further details of the Group Reorganisation are set out in the prospectus issued by the Company dated 25 October 2005.

The group comprising the Company and its subsidiaries (the "Group") and the business resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 31 December 2004 have been prepared on the basis as if the group structure had always been in existence using pooling of interest method. The principal activities of the Company's subsidiaries are set out in note 32.

All significant intra-group transactions, cash flows and balances have been eliminated on combination. Minority interests represent the interests of minority shareholders in the operating results and net assets of 陝西海升果業發展股份有限公司 Shaanxi Haisheng Fresh Fruit Co., Ltd ("Shaanxi Haisheng"), a non wholly owned subsidiary of the Company.

The Group's principal operations are conducted in the PRC. The financial statements have been presented in Chinese Renminbi ("RMB"), which is the functional currency of the Group.

2. Adoption of New and Revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following standard amendments and interpretations were in issue but not yet effective:

IAS 1 (Amendment)	Capital disclosures[1]
IAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
IAS 21 (Amendment)	Net investment in a foreign operation[2]
IAS 39 (Amendment)	Cash flow hedges of forecast intragroup transactions[2]
IAS 39 (Amendment)	The fair value option[2]
IAS 39 and IFRS 4 (Amendment)	Financial guarantee contracts[2]
IFRS 6	Exploration for and evaluation of mineral resources[2]
IFRS 7	Financial instruments: disclosures[1]
IFRIC 4	Determining whether an arrangement contains a lease[2]
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
IFRIC 6	Liabilities arising from participation in a specific market, waste electrical and electronic equipment[3]
IFRIC 7	Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies[4]
IFRIC 8	Reporting in hyperinflationary economies scope of IFRS 2[5]
IFRIC 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

The Group has not early applied the above new standards and interpretations that have been issued not yet effective.

The directors of the Company anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the financial statements of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The financial statements are prepared on the historical cost basis. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required under the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits.

All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

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

Revenue recognition

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

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

Grant from government authority is recognised when the conditions relating to the grant have been fulfilled and there is reasonable assurance that the grant will be received. Grant related to income are presented as a credit in the income statement under a general heading other income; unless they are granted with special purposes, in which case they are deducted in reporting the related expense.

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

Property, plant and equipment

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

Construction in progress are stated at cost, which includes the related construction cost, less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties and assets are ready for use.

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

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

3. Significant Accounting Policies *(continued)*

Inventories

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

Research and development expenditure

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

Costs incurred on development projects are recognised as intangible assets only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the assets created will generate future economic benefit; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generally intangible assets, if any, are amortised on a straight-line basis over its useful life and are carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Impairment of tangible and intangible assets

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

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

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

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

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

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

3. Significant Accounting Policies *(continued)*

Taxation

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

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

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

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

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

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

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in RMB.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant Accounting Policies *(continued)*

Prepaid lease payments

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

Leasing

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

The Group as lessee

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

Retirement benefits costs

Payments to a state-managed retirement benefit scheme are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables/other receivables/bills receivable

Trade receivables, other receivables, bills receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Impairment losses are recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The impairment losses are measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and other short-term highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all liabilities.

Bank and other borrowings

Interest-bearing bank and other borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. And difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing cost.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Trade payables/other payables/bills payable/amounts due to related parties/dividend payable to the shareholders of a subsidiary

Trade payables, other payables, bills payable, amounts due to related parties and dividend payable to the shareholders of a subsidiary are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgement that can significantly, affect the amounts recognised in the consolidated financial statements is disclosed below.

Estimated useful life of property, plant and equipment

As at 31 December 2005, the carrying amount of the Group's property, plant and equipments is RMB836,282,000. The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated useful life of intangible assets

As at 31 December 2005, the carrying amount of the Group's intangible assets is RMB42,650,000. The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets.

Recoverability of internally-generated intangible asset

In determining whether provision for impairment loss is enquired, management reconsidered the recoverability of its internally-generated intangible asset arising from product development. The project continues to progress in a very satisfactory manner, and the management regularly reviewed its assumptions regarding future market share and anticipated margins on these products. In this regard, the directors of the Company are satisfied that this risk is minimal and no impairment loss was identified.

5. Turnover and Segment Information

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

Turnover is stated net of applicable value-added tax in the PRC and the following table provides an analysis of the Group's sales by geographical market:

	2005	2004
	RMB'000	RMB'000
North America	**358,099**	410,371
Europe and Russia	**145,651**	46,841
Asia	**93,060**	51,899
Australia	**52,333**	38,116
Others	**4,810**	3,096
	653,953	550,323

6. Other Income

		2005	2004
	Notes	**RMB'000**	RMB'000
Refund of anti-dumping duties	(a)	**360**	3,959
PRC Government subsidies	(b)	**25,104**	10,525
Bank interest income		**1,015**	379
Others		**1,229**	223
		27,708	15,086

Notes:

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

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

7. Finance Costs

	2005 RMB'000	2004 RMB'000
Interest on bank borrowings wholly repayable within five years	**41,016**	25,486
Less: Interest subsidy from the PRC Government (note)	**(8,400)**	(7,310)
	32,616	18,176

Note: The subsidies from the government recognised by the Group represent those specifically for subsidising the interest incurred by the entities engaged in manufacturing and sale of apple juice concentrate in the PRC.

8. Income Tax Expense

According to a notice dated 31 December 2002 issued by relevant authorities, the PRC subsidiaries were entitled to a full exemption of income tax until the issuance of further notice. No tax provision was made for the year ended 31 December 2004.

On 17 December 2004, Shaanxi Haisheng was approved by the relevant government authorities to reorganise into a sino-foreign equity joint stock limited company and the relevant business license was granted on 5 January 2005. In addition, during the year ended 31 December 2005, other PRC subsidiaries of the Group were all transformed to sino-foreign equity joint ventures. Pursuant to the relevant laws and regulations in the PRC, Shaanxi Haisheng and certain PRC subsidiaries of the Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

Haisheng International Inc. is a limited liability company incorporated in the USA on 21 January 2005 and it is subject to progressive corporate and federal tax rate.

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

	2005 RMB'000	2004 RMB'000
Profit before taxation	**123,623**	108,471
Tax at the domestic income tax rate of 33%	**40,796**	35,795
Effect of tax exemptions granted	**(40,621)**	(36,808)
Effect of tax loss not recognised	**1,003**	1,013
Effect of different tax rates of a subsidiary operating in other jurisdictions	**(12)**	–
Effect on expenses that are not deductible in determining taxable profit	**142**	–
Effect on tax losses not previously recognised	**(1,027)**	–
Tax charge for the year	**281**	–

At 31 December 2004, the Group has unused tax losses of approximately of RMB3,039,000 (2004: RMB3,069,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

8. Income Tax Expense *(continued)*

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised was RMB280,000 (2004: Nil). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

9. Profit for the Year

	2005	2004
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 10)	**478**	368
Other staff costs	**19,762**	12,436
Retirement benefits scheme contributions	**748**	768
Total staff costs	**20,988**	13,572
Auditors' remuneration	**998**	141
Amortisation of land use rights included in administrative expenses	**339**	179
Amortisation of intangible assets included in cost of sales and selling expenses	**2,534**	348
Depreciation of property, plant and equipment	**25,385**	17,548
Loss on disposal of property, plant and equipment	**–**	6
Cost of inventories recognised in the consolidated income statement	**415,094**	364,801

10. Directors' Emoluments and Employees' emoluments

	2005	2004
	RMB'000	RMB'000
Fees	**39**	–
Other emoluments:		
Salaries and allowances	**425**	361
Contributions to retirement benefits scheme	**14**	7
	478	368

10. Directors' Emoluments and Employees' emoluments *(continued)*

Directors' emoluments

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

	2005			2004		
	Fee RMB'000	**Salaries and allowances RMB'000**	**Contributions to retirement benefits scheme RMB'000**	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000
Mr. Zhao Boxiang	**13**	**–**	**–**	–	–	–
Mr. Xu Yulin	**13**	**–**	**–**	–	–	–
Mr. Yim Hing Wah	**13**	**–**	**–**	–	–	–
Mr. Gao Liang	**–**	**151**	**4**	–	124	2
Mr. Liang Yi	**–**	**118**	**3**	–	105	2
Mr. You Yong	**–**	**76**	**4**	–	65	2
Ms. Zhu Fang	**–**	**80**	**3**	–	67	1
	39	**425**	**14**	–	361	7

Employees' emoluments

The five highest paid individuals included two directors of the Company for the year ended 31 December 2005 and 2004 respectively, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals, which fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB1,040,000) for the years ended 31 December 2005 and 2004, are as follows:

	2005 RMB'000	2004 RMB'000
Salaries and allowances	**1,223**	280
Retirement benefits scheme contributions	**5**	7
	1,228	287

During the both years ended 31 December 2005 and 2004, no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2005 and 2004.

11. Dividends

For the year ended 31 December 2005, the directors have proposed final dividends of RMB30,555,000, representing RMB2.5 cents per ordinary share and it is subject to approval by shareholders in general meeting.

During the year ended 31 December 2004, dividends paid of RMB84,280,000 represented dividends paid by Shaanxi Haisheng to its then shareholders including the amount of RMB396,000 which were payable to the minority interests of Shaanxi Haisheng.

The rates of dividends and the number of shares ranking for dividends for the year ended 31 December 2004 are not presented as such information is not meaningful.

12. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parents of approximately RMB122,690,000 (2004: RMB107,961,000) and on the weighted average number of 1,017,272,220 (2004: 977,760,000) in issue during the year.

The weighted average number of shares are computed assuming that the Group Reorganisation was effective on 1 January 2004 and throughout the two years ended 31 December 2005. There were no potential ordinary shares outstanding for the years ended 31 December 2004 and 2005.

13. Property, Plant and Equipment

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2004	76,987	176,314	3,037	1,482	9,788	267,608
Additions	59,316	137,037	803	1,645	45,854	244,655
Transfer	6,821	15,505	–	–	(22,326)	–
Disposal	(8,755)	–	(57)	–	–	(8,812)
At 31 December 2004	134,369	328,856	3,783	3,127	33,316	503,451
Additions	65,092	207,077	1,259	2,348	134,177	409,953
Transfer	77,431	52,952	–	–	(130,383)	–
At 31 December 2005	**276,892**	**588,885**	**5,042**	**5,475**	**37,110**	**913,404**
DEPRECIATION						
At 1 January 2004	2,994	31,012	837	250	–	35,093
Provided for the year	2,079	14,982	242	245	–	17,548
Eliminated on disposals	(856)	–	(48)	–	–	(904)
At 31 December 2004	4,217	45,994	1,031	495	–	51,737
Provided for the year	4,102	20,346	311	626	–	25,385
At 31 December 2005	**8,319**	**66,340**	**1,342**	**1,121**	**–**	**77,122**
NET BOOK VALUES						
At 31 December 2005	**268,573**	**522,545**	**3,700**	**4,354**	**37,110**	**836,282**
At 31 December 2004	130,152	282,862	2,752	2,632	33,316	451,714

During the year ended 31 December 2004, certain buildings in Xi'an and Hainan with the aggregate net book value of RMB7,899,000 were disposed of to 西安海升實業集團有限責任公司, translated as Xi'an Haisheng Industrial Group Co., Ltd ("Xi'an Haisheng Industrial") at the same amount. Prior to the disposal, the legal title of these buildings either has not been granted by relevant government authorities or still rest in the name of Xi'an Haisheng Industrial despite substantially all the risks and rewards of ownership of the buildings have been transferred to the Group. Followed by the disposal of the buildings, the risks and rewards of ownership of the buildings have been transferred to the related party.

14. Prepaid Lease Payments

	RMB'000
COST	
At 1 January 2004 and 31 December 2004	11,053
Additions	11,954
At 31 December 2005	**23,007**
AMORTISATION	
At 1 January 2004	680
Charge for the year	179
At 31 December 2004	859
Charge for the year	339
At 31 December 2005	**1,198**
NET BOOK VALUES	
At 31 December 2005	**21,809**
At 31 December 2004	10,194

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

	2005	2004
	RMB'000	RMB'000
Due within one year shown as current assets included in trade and other receivables and prepayments	**339**	179
Due after one year	**21,470**	10,015
	21,809	10,194

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

15. Intangible Assets

	Customer list RMB'000 (note a)	Technical knowhow RMB'000 (note b)	Product development expenditure RMB'000 (note b)	Total RMB'000
COST				
At 1 January 2004	–	20,050	6,194	26,244
Additions	–	–	6,374	6,374
At 31 December 2004	–	20,050	12,568	32,618
Additions	6,621	–	6,293	12,914
At 31 December 2005	**6,621**	**20,050**	**18,861**	**45,532**
AMORTISATION				
At 1 January 2004	–	–	–	–
Additions	–	272	76	348
At 31 December 2004	–	272	76	348
Charge for the year	1,839	543	152	2,534
At 31 December 2005	**1,839**	**815**	**228**	**2,882**
NET BOOK VALUES				
At 31 December 2005	**4,782**	**19,235**	**18,633**	**42,650**
At 31 December 2004	–	19,778	12,492	32,270

Notes:

a. The amount represents a consideration paid by the Group to a distributor of the Group to convert the exclusive distribution agreement to non-exclusive distribution agreement in selling apple juice concentrate and related products in the North American market and exclusive from selling the Group's products to its existing 25 customers for a period of three years.

b. During the year ended 31 December 2004, the intangible assets with cost of approximately RMB6,951,000 have been put into use. The remaining intangible assets related to products are still in the stage of development.

The product development expenditure and technical knowhow are amortised over 10 years while the customer list are amortised over 3 years on a straight-line basis.

16. Inventories

	2005 RMB'000	2004 RMB'000
Raw materials	**24,933**	15,682
Work in progress	**67,712**	30,118
Finished goods	**235,136**	168,053
	327,781	213,853

All inventories are stated at cost.

17. Trade and Other Receivables and Bills Receivable

The Group generally allows credit period ranged from 90-120 days to its trade customers. The aged analysis of trade receivables, included in the trade and other receivables, is as follows:

	2005 RMB'000	2004 RMB'000
Aged:		
0 – 90 days	**193,646**	213,068
91 – 180 days	**50,123**	19,923
181 – 365 days	**16,142**	–
	259,911	232,991

The fair value of the Group's trade, bills and other receivable approximates to the corresponding carrying amount.

18. Pledged Bank Deposits and Bank Balances and Cash

The pledged bank deposits and certain bank balances and cash of totally RMB121,922,000 and RMB176,565,000 at 31 December 2004 and 31 December 2005 carry an average effective interest rate of 1.1% (2004:0.98%).

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

The directors consider that the fair value of pledged bank deposits and bank balances and cash approximates to their carrying amounts.

19. Trade Payables, Bills Payable, Dividend Payable And Other Payables

The aged analysis of trade payables is as follows:

	2005 RMB'000	2004 RMB'000
Aged:		
0 – 90 days	**59,079**	59,160
91 – 180 days	**5,064**	8,616
181 – 365 days	**647**	262
Over 1 year	**129**	–
	64,919	68,038

The directors consider that the fair value of trade payables, bills payable, dividend payable and other payables approximates to their carrying amounts.

20. Amounts Due to Related Parties

Name of related parties	Notes	2005 RMB'000	2004 RMB'000
Xi'an Haisheng Industrial	(a)	–	8,025
乾縣海升果業協會(「果業協會」) Translated as Xi'an Fruit Industry Association ("Haisheng Association")	(a)	–	125
Think Honour International Limited ("Think Honour")	(b)	**3,169**	–
		3,169	8,150

Notes:

(a) They are former shareholders of Shaanxi Haisheng as they ceased to be the shareholders of Shaanxi Haisheng in December 2004.

(b) Think Honour is the shareholder of the Company.

The above balances are unsecured, non-interest bearing and are repayable on demand.

The directors consider that the fair values of amounts due to related parties approximate to their carrying amounts.

21. Bank and Other Borrowings

	2005 RMB'000	2004 RMB'000
Bank loans	**578,329**	657,320
Borrowings from non-bank financial institutions (note a)	**125,088**	2,800
	703,417	660,120
Analysis:		
Secured	**281,335**	155,234
Unsecured	**422,082**	504,886
	703,417	660,120

The maturity profile of the above loans is as follows:

	2005 RMB'000	2004 RMB'000
On demand or within one year	**440,015**	514,633
In the second year	**71,900**	66,765
In the third to fifth year inclusive	**191,502**	78,722
	703,417	660,120
Less: Amounts due for settlement within one year shown under current liabilities	**(440,015)**	(514,633)
Amounts due for settlement after one year	**263,402**	145,487

Bank and other borrowings are guaranteed by:

	2005 RMB'000	2004 RMB'000
Third parties	**105,565**	180,745
Xi'an Haisheng Industrial (note b)	**61,500**	147,514
西安中糖洋酒公司 Translated as Xi'an Zhongtang Wine Company ("Zhongtang") (note b)	**–**	2,000
	167,065	330,259

21. Bank and Other Borrowings *(continued)*

Notes:

(a) In the opinion of the directors, the non-bank financial institutions are third parties of the Group. As at 31 December 2005, the borrowings were provided by a European financial institution.

(b) Xi'an Haisheng Industrial and Zhongtang are the former shareholders of Shaanxi Haisheng as they ceased to be the shareholders of Shaanxi Haisheng in December 2004 and March 2003, respectively.

As at 31 December 2005, the Group has bank borrowings of RMB558,486,000 and USD17,900,000. (2004: RMB622,366,000 and USD4,562,000)

The borrowings of the Group are fixed-rate borrowings which carry effective interests ranging from 5.22% to 7.25% per annum as at 31 December 2005 (2004: 4.47% to 7.25%).

The directors consider that the fair values of bank borrowings approximate to their carrying amounts.

22. Share Capital

The Company	**Number of shares**	**Amounts**
Authorised:		US$
Ordinary shares of US$0.05 each		
At date of incorporation and at 31 December 2004	1,000,000	50,000
		HK$
Re-denominated and subdivided to ordinary shares		
of HK$0.01 each on 28 January 2005	39,000,000	390,000
Increase in authorised capital	9,961,000,000	99,610,000
Ordinary shares of HK$0.01 each		
At 31 December 2005	10,000,000,000	100,000,000

	Number of shares	**Amounts**
Issued and fully paid:		US$
Allotted and issued on date of incorporation and at 31 December 2004	1	0.05
		HK$
Re-denominated and subdivided to ordinary shares		
of HK$0.01 each on 28 January 2005	39	–
Issue of Shares for the Group Reorganisation	99,999,961	1,000,000
Issue of shares by capitalisation of share premium account	877,760,000	8,777,600
Issue of shares for placing and public offer	244,440,000	2,444,400
At 31 December 2005	**1,222,200,000**	**12,222,000**

22. Share Capital *(continued)*

	RMB'000
Shown on the consolidated balance sheet at:	
31 December 2004	–
31 December 2005	**12,715**

The Company was incorporated on 5 January 2004 with an authorised share capital of US$50,000 (equivalent to RMB415,000) divided into 1,000,000 shares of US$0.05 each and one ordinary share of US$0.05 was allotted and issued at par. Such share was transferred to Mr. Gao Liang, the director of the Company on 5 January 2004. On 27 January 2005, Mr. Gao Liang transferred the one Share to Think Honour International Limited ("Think Honour").

By a written resolution of the sole shareholder of the Company dated 28 January 2005, the Company's authorised and issued share capital were re-denominated (at an exchange rate of US$1.00=HK$7.8) from US$50,000 to HK$390,000. The authorised share capital of the Company was then changed to HK$390,000 divided into 1,000,000 shares of HK$0.39. On the same day, every issued and unissued share of HK$0.39 in the capital of the Company was subdivided into 39 Shares of HK$0.01 each, such that the authorised share capital of the Company was HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On the same day, 999,961 Shares were allotted and issued nil paid to Think Honour.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 19 October 2005, the authorised share capital of the Company increased from HK$390,000 to HK$2,000,000 by the creation of additional 161,000,000 shares.

On 19 October 2005, Think Honour, Raise Sharp and the remaining shareholders ("the Investors") transferred 130.5, 19.5 and 50 shares respectively in Wisdom Expect (which together, constitute the entire issued share capital of Wisdom Expect) to the Company in consideration for which the Company (i) allotted and issued 64,250,000, 9,750,000 and 25,000,000 shares credited as fully paid to Think Honour, Raise Sharp and the Investors respectively.; (ii) credited as fully paid at par the aforesaid 999,961 nil paid shares then held by Think Honour. Immediately following such issue and allotment, the Company became owned as to 65.25% by Think Honour, 9.75% by Raise Sharp and 25% by the Investors.

In addition to that conditional on the initial public offering of the Company's shares becoming unconditional, the Directors were authorised to allot and issue a total of 877,760,000 shares credited as fully paid at par to the then shareholders by capitalizing the sum of HK$8,777,600 standing to the credit of the share premium account of the Company.

Immediately following completion of the aforesaid initial public offering and capitalisation of shares, the authorised share capital of the Company will be HK$100,000,000 divided into 10,000,000,000 Shares.

On 4 November 2005, by means of an initial public offering , the Company issued a total of 244,440,000 new ordinary shares of HK$0.01 each at a price of HK$0.83 per share. The proceeds are to be used to expand the production capacity to upgrade the research and development capabilities and to provide additional working capital for the Group.

The share capital of the Group as at 31 December 2004 represents the share capital of the Company as if the Group Reorganisation had been completed as at 1 January 2004.

All the shares which were issued during the year rank pair passu with the then existing shares in all respects.

23. Reserves

(a) Statutory surplus reserve

According to the Articles of Association of the Company's PRC subsidiaries, it requires the appropriation of 10% of its profit after taxation each year, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Articles of Association, the statutory surplus reserve shall only be used, upon approval by the relevant authorities, to offset accumulated losses or increase capital of the Company's PRC subsidiaries.

(b) Statutory public welfare fund

Pursuant to the PRC Company Law, the Company's PRC subsidiaries shall make allocation from its profit after taxation, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Group. The statutory public welfare fund forms part of the shareholder's equity but is non-distributable other than in liquidation.

(c) Special reserve

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

24. Balance Sheet of the Company

	Notes	2005 RMB'000	2004 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries		**629,164**	–
Current assets			
Other receivables		**2,954**	–
Bank balances and cash		**942**	–
		3,896	–
Current liabilities			
Other payable		**3,943**	–
Amount due to a subsidiary		**8,616**	–
Amount due to a related party		**3,169**	–
		15,728	–
Net current liabilities		**(11,832)**	–
		617,332	–
CAPITAL AND RESERVES			
Share capital	21	**12,715**	–
Reserves	(a)	**604,617**	–
		617,332	–

24. Balance Sheet of the Company *(continued)*

Note:

(a) Reserves

	Share premium RMB'000	**Contributed surplus** RMB'000	**Deficit** RMB'000	**Total** RMB'000
Issue of shares	208,518	–	–	208,518
Capitalisation of shares	(9,132)	–	–	(9,132)
Expenses incurred in connection with issue of shares	(9,397)	–	–	(9,397)
Arising from the Group Reorganisation	–	431,247	–	431,247
Loss for the year	–	–	(16,619)	(16,619)
At 31 December 2005	**189,989**	**431,247**	**(16,619)**	**604,617**

25. Major Non-cash Transactions

During the year ended 31 December 2004, the dividend payable of RMB71,704,000 and the loan from a related party of RMB14,000,000 were both settled through the amounts due to related parties.

In addition, during the year ended 31 December 2004, the property, plant and equipment with the net book value of RMB7,899,000 were disposed of to Xi'an Haisheng Industrial at the same amount. This amount was settled through the amounts due to related parties.

During the year ended 31 December 2005, the dividend payable of RMB11,070,000 were settled through the amounts due to related parties.

26. Operating Lease Commitments

Minimum lease payments paid under operating leases during the year:

	2005 **RMB'000**	2004 RMB'000
Premises	**1,968**	3,944

26. Operating Lease Commitments *(continued)*

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

	2005	2004
	RMB'000	RMB'000
Within one year	**2,244**	663
In the second to fifth years inclusive	**5,098**	60
	7,342	723

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

27. Capital Commitments

	2005	2004
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– property, plant and equipment	**19,490**	11,432
– intangible assets	**960**	7,173
	20,450	18,605

28. Pledge of Assets

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

	2005	2004
	RMB'000	RMB'000
Property, plant and equipment	**194,858**	171,857
Prepaid lease payments	**4,725**	10,194
Pledged bank deposits	**115,997**	67,471
Trade receivables	**27,616**	53,361
Inventories	**21,678**	–
	364,874	302,883

29. Related Party Disclosures

Transaction

During the year, the Group entered into the following transactions with related parties:

Name of company	Nature of transactions	2005 RMB'000	2004 RMB'000
Xi'an Haisheng Industrial (Note)	Disposal of property, plant and equipment	–	7,899

Note:

During the year ended 31 December 2004, the disposal of property, plant and equipment was based on terms agreed by both parties.

As at 31 December 2005, bank and other borrowings amounted to approximately RMB61,500,000 (2004: RMB149,514,000) were guaranteed by Xi'an Haisheng Industrial and Zhongtang, former shareholders of Shaanxi Haisheng.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2005 RMB'000	2004 RMB'000
Short-term benefits	**1,687**	641
Contribution to retirement benefit scheme contribution	**19**	14
	1,706	655

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. 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.

As at 31 December 2005 and 2004, the Group had no significant obligation apart from the contribution as stated above.

31. Financial Risks and Management

(i) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. The Group has adopted procedures in monitoring its credit risk.

The Group's current credit practices include assessment and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents and amounts due from related parties, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing the Group does not expect any significant loss for uncollected advances/ deposits from these entities.

(ii) Significant concentrations of credit risk

The Group is exposed to some concentration of credit risk. At the balance sheet date, the five largest customers accounted for approximately 66% of the Group's total trade receivable. Apart from delegating a team for determining the credit limits, credit approvals and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimize the concentration of credit risk.

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with banks which are all short term in nature. Interest bearing financial liabilities are mainly bank borrowings with fixed interest rates. The Group shall consider entering into any interest rate hedging contracts or any other derivative financial instrument should the need arise.

(iv) Foreign currency risk

The Group is exposed to minimal foreign exchange rate risk as the purchases and sales are denominated in RMB and United States Dollar ("USD").

The Group exposes to foreign currency risk on sales that are denominated in a currency other than RMB. The currency giving rise to this risk is primarily USD. The Group does not hedge trade receivables denominated in USD as the exchange rate between RMB and USD is stable.

(v) Liquidity risk

The Group is exposed to minimal liquidity risk as the Group maintains close monitoring on its cash flow.

32. Subsidiaries

The particulars of the subsidiaries of the Company as at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Wisdom Expect	British Virgin Islands	Ordinary shares US$200	100%	–	Investment holding
Shaanxi Haisheng (Note a)	The PRC	RMB185,780,000	–	99.6%	Manufacture and sale of fruit juice concentrate
大連海升果業有限責任公司 Translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng") (Note b)	The PRC	RMB130,000,000	–	99.7%	Manufacture and sale of fruit juice concentrate
青島海升果業有限責任公司 Translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd.	The PRC	RMB275,000,000	–	99.7%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	The USA	Nil	–	100%	Marketing and distribution of fruit juice concentrate

Note:

(a) Shaanxi Haisheng was established on 28 September 1999 as a joint stock limited company and was approved to reorganise into sino-foreign equity joint stock limited company on 17 December 2004.

(b) Dalian Haisheng was established on 30 January 2002 as a limited liability company and was converted into a sino-foreign equity joint venture on 28 October 2004.

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.