1. General

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

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

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

2. Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied for the first time, a number of new standards, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretation Committee (the "IFRIC") of the IASB, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material impact on how the results and financial position for the current or prior accounting period of the Group have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

IAS 1 (Amendment)	Capital disclosures[1]
IAS 23 (Amendment)	Borrowing Costs[2]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of embedded derivatives[5]
IFRIC 10	Interim Financial Reporting and Impairment[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 March 2006

4 Effective for annual periods beginning on or after 1 May 2006

5 Effective for annual periods beginning on or after 1 June 2006

6 Effective for annual periods beginning on or after 1 November 2006

7 Effective for annual periods beginning on or after 1 March 2007

8 Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these new IFRSs will have no material financial impact on the results of operations and financial position.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards. The consolidated 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.

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.

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.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets on ready for their intended use.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

3. Significant Accounting Policies *(continued)*

Prepaid lease payments

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

Inventories

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

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible and intangible assets with finite useful lives

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

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

3. Significant Accounting Policies *(continued)*

Impairment of tangible and intangible assets with finite useful lives *(continued)*

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.

Impairment of intangible assets not yet available for use

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.

Taxation

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

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized 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 (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.

Government grants

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

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related expense items are recognized in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense or reported separately as other income.

Leasing

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

The Group as lessee

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

Retirement benefits costs

Payments to a defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies *(continued)*

Financial assets

The Group's financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including bills and trade receivables, other receivables, pledged bank deposits and bank balances) carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. 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.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

The Group's financial liabilities are mainly bills and trade payables, other payables, amount due to a related party, bank and other borrowings and dividend payable to the minortiy shareholders. These financial liabilities 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

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

Estimated impairment of intangible assets

As at 31 December 2006, the carrying amount of the Group's intangible assets is approximately RMB34,600,000. 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.

During the year, impairment loss on intangible assets of approximately RMB5,148,000 was recognised in the consolidated income statement. Determining whether the intangible assets are impaired requires an estimation of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of these are set out in note 16.

Allowance for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. Financial Risks and Management

a. Financial risk management objectives and policies

The Group's principal financial instruments includes bills and trade receivable, other receivable, pledged bank deposits, bank balances, trade and other payables, amount due to a related party, dividend payable to the minority shareholders of a subsidiary, bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and 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.

(i) *Credit risk*

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to bills and trade receivables, other receivables and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

In addition, the Group's bank balances are deposited with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2006, five customers comprised approximately 58% of the Group's trade receivables. 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 minimise the concentration of credit risk.

5. Financial Risks and Management *(continued)*

a. Financial risk management objectives and policies *(continued)*

(ii) *Interest rate risk*

Interest bearing financial assets comprise bank deposits which are all short-term in nature and are therefore not exposed to significant fair value interest rate risk. The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings (see note 22 for details of these borrowings). A significant portion of bank borrowings are raised on a short term basis and the related fair value interest rate risk is considered limited.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate non-bank financial institution and bank balances (see note 22 for details of these borrowings).

The Group currently does not have an interest rate hedging policy. However, the Directors closely monitor interest rate risk exposure and the level of borrowings and negotiate with the banks from time to time.

(iii) *Foreign currency risk*

The Group is exposed to foreign exchange rate risk as the sales are denominated in United States Dollar ("USD"). The Directors consider that the foreign currency risk is limited as the exchange rate between RMB and USD is stable.

(iv) *Liquidity risk*

The Directors have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately RMB180 million at 31 December 2006. In order to minimise the liquidity risk, the Directors have been arranging long term loans to replace the current bank borrowings. At the date of this report, the Group had obtained the letters of intent from certain banks to extend the borrowings of RMB633 million, which will fall due in 2007, beyond 31 December 2007 for the purpose of financing the Group's operation. In addition, the Group had unutilised banking facility of RMB90 million at 31 December 2006.

b. Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing model 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.

6. 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 fruit 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:

	2006 **RMB'000**	2005 RMB'000
Europe and Russia	**386,511**	145,651
North America	**333,330**	358,099
Asia	**60,479**	93,060
Australia	**38,584**	52,333
Others	**44,771**	4,810
	863,675	653,953

7. Other Income

	Notes	2006 RMB'000	2005 RMB'000
Refund of anti-dumping duties	(a)	**259**	360
PRC Government subsidies	(b)	**—**	25,104
Bank interest income		**2,241**	1,015
Others		**2,801**	1,229
		5,301	27,708

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 fruit juice concentrate business in the PRC. They were determined at the sole discretion of the relevant PRC Government authorities.

8. Finance Costs

	2006 RMB'000	2005 RMB'000
Interest expense on		
— bank borrowings wholly repayable within five years	**52,154**	41,016
— bills receivable discounted	**2,582**	—
Less: Interest subsidy from the PRC Government (note)	**(600)**	(8,400)
	54,136	32,616

Note: The subsidies from the PRC Government recognised by the Group represent those specifically for subsidising the interest incurred by the entities engaged in manufacturing and sale of fruit juice concentrate and related products in the PRC. They were determined at the sole discretion of the Relevant PRC Government authorities.

9. Income Tax Expense

	2006 RMB'000	2005 RMB'000
Taxation in other overseas jurisdictions	**36**	281
Deferred taxation (note 25)	**1,159**	—
	1,195	281

9. Income Tax Expense *(continued)*

The PRC income tax is caculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Pursuant to the relevant laws and regulations in the PRC, 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.

One subsidiary of the Company, Haisheng International Inc. ("Haisheng International") is a limited liabilities company incorporated in the USA on 21 January 2005 and it is subject to progressive corporate and federal tax rate.

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

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

	2006 **RMB'000**	2005 RMB'000
Profit before taxation	**67,225**	123,623
Tax at the domestic income tax rate of 33%	**22,184**	40,796
Effect of tax exemptions granted	**(33,541)**	(40,621)
Effect of tax loss not recognised	**9,050**	1,003
Effect of different tax rates of a subsidiary operating in other jurisdictions	**16**	(12)
Effect on expenses that are not deductible in determining taxable profit	**4,489**	142
Effect on tax losses not previously recognised	**(1,003)**	(1,027)
Tax charge for the year	**1,195**	281

Details of movements in deferred tax liability have been set out in note 25.

10. Profit for the Year

	2006 **RMB'000**	2005 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**1,295**	478
Other staff costs	**28,678**	19,762
Retirement benefits scheme contributions	**1,612**	748
Total staff costs	**31,585**	20,988
Auditors' remuneration	**1,316**	998
Release of prepaid lease payments included in administrative expenses	**490**	339
Amortisation of intangible assets included in cost of sales and distribution and selling costs	**2,902**	2,534
Depreciation of property, plant and equipment	**41,575**	25,385
Loss on disposal of property, plant and equipment	**62**	—
Allowances for bad and doubtful debts	**4,640**	—
Impairment loss on intangible assets included in administrative expenses	**5,148**	—
Cost of inventories recognised in the consolidated income statement	**577,657**	415,094
after crediting:		
Interest income	**2,241**	1,015

11. Directors' Emoluments and Employees' Emoluments

	2006 **RMB'000**	2005 RMB'000
Fees	**180**	39
Other emoluments:		
Salaries and allowances	**1,103**	425
Contributions to retirement benefits scheme	**12**	14
	1,295	478

Directors' emoluments

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

	2006			2005		
	Fee RMB'000	**Salaries and allowances RMB'000**	**Contributions to retirement benefits scheme RMB'000**	Fee RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits scheme RMB'000
Mr. Zhao Boxiang	**60**	**—**	**—**	13	—	—
Mr. Xu Yulin	**60**	**—**	**—**	13	—	—
Mr. Yim Hing Wah	**60**	**—**	**—**	13	—	—
Mr. Gao Liang	**—**	**420**	**4**	—	151	4
Mr. Liang Yi	**—**	**333**	**—**	—	118	3
Mr. You Yong	**—**	**175**	**4**	—	76	4
Ms. Zhu Fang	**—**	**175**	**4**	—	80	3
	180	**1,103**	**12**	39	425	14

Employees' emoluments

The five highest paid individuals included four (2005: two) directors of the Company for the year, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals, which fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB1,040,000) for the years ended 31 December 2006 and 2005, are as follows:

	2006 **RMB'000**	2005 RMB'000
Salaries and allowances	**175**	1,223
Retirement benefits scheme contributions	**4**	5
	179	1,228

During the both years ended 31 December 2006 and 2005, 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 2006 and 2005.

12. Dividends

	2006 **RMB'000**	2005 RMB'000
Dividends recognised as distribution during the year	**30,555**	—

The directors recommend the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2006. This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

On 25 April, 2006, the final dividends of RMB30,555,000, representing RMB2.5 cents for ordinary shares were declared by the board of directors of the Company and had been recognised in the consolidated income statement for the year ended 31 December 2006.

13. 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 parent of approximately RMB65,754,000 (2005: RMB122,690,000) and on the number of 1,222,200,000 (2005: the weighted average number of 1,017,272,220) shares in issue during the year.

14. 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 2005	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
Additions	25,051	20,254	1,122	1,042	69,337	116,806
Transfer	76,717	17,490	—	237	(94,444)	—
Disposal	—	(59)	—	(52)	—	(111)
Reclassification (note)	(22,122)	—	—	—	—	(22,122)
At 31 December 2006	356,538	626,570	6,164	6,702	12,003	1,007,977
DEPRECIATION						
At 1 January 2005	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
Provided for the year	6,712	33,411	415	1,037	—	41,575
Eliminated on disposals	—	(8)	—	(41)	—	(49)
Reclassification (note)	(503)	—	—	—	—	(503)
At 31 December 2006	14,528	99,743	1,757	2,117	—	118,145
NET BOOK VALUES						
At 31 December 2006	342,010	526,827	4,407	4,585	12,003	889,832
At 31 December 2005	268,573	522,545	3,700	4,354	37,110	836,282

14. Property, Plant And Equipment *(continued)*

The above items of property, plant and equipment are depreciated after residual value on a straight-line basis at the following rate per annum:

Buildings	40 years
Machinery	6–18 years
Motor vehicles	5–10 years
Office equipment	5 years

Note: At 31 December 2006, the Group entered into an agreement with a third party to dispose a building with net book value of approximately RMB21.6 million at a consideration of RMB22.5 million to that third party. The carrying amount of that building as at 31 December 2006 was accordingly reclassified as an asset held for sale. This transaction has not yet completed and ownership of that building has not yet been transfersed to the buyer up to the date of the report.

15. Prepaid Lease Payments

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

	2006 **RMB'000**	2005 RMB'000
Due within one year shown as current assets included in trade and other receivables	**524**	339
Due after one year	**30,837**	21,470
	31,361	21,809

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

16. 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 2005	—	20,050	12,568	32,618
Additions	6,621	—	6,293	12,914
At 31 December 2005 and 2006	6,621	20,050	18,861	45,532
AMORTISATION AND IMPAIRMENT				
At 1 January 2005	—	272	76	348
Charge for the year	1,839	543	152	2,534
At 31 December 2005	1,839	815	228	2,882
Charge for the year	2,207	543	152	2,902
Impairment loss recognised for the year	—	5,148	—	5,148
At 31 December 2006	4,046	6,506	380	10,932
NET BOOK VALUES				
At 31 December 2006	2,575	13,544	18,481	34,600
At 31 December 2005	4,782	19,235	18,633	42,650

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 2006, the intangible assets with cost of approximately RMB6,951,000 (2005: 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 amortized over 3 years on a straight-line basis.

At 31 December 2006, the directors, after considering the economic conditions, have reviewed the carrying value of the Group's intangible assets with reference to independent professional valuations made under a discounted cash flow analysis using cash flow projected based on financial budgets approved by management covering a 5-year period, and discount rate of approximate 24% and 19% respectively and determined that the recoverable amounts of the assets have declined below its carrying value. Accordingly, the carrying value of these assets was reduced by approximately RMB5,148,000 to reflect this impairment.

17. Inventories

	2006	2005
	RMB'000	RMB'000
Raw materials	**24,950**	24,933
Work in progress	**104,272**	67,712
Finished goods	**572,020**	235,136
	701,242	327,781

18. 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:

	2006	2005
	RMB'000	RMB'000
Aged:		
0–90 days	**212,916**	193,646
91–180 days	**8,429**	50,123
181–365 days	**7,843**	16,142
Over 1 year	**9,466**	—
	238,654	259,911

At 31 December 2005, the bills receivables aged within 90 days.

19. Pledged Bank Deposits and Bank Balances and Cash

At 31 December 2006, the pledged bank deposits of RMB65,889,000 (2005: RMB115,997,000) carried an average interest rate of 2.31% (2005: 2.25%) and bank balances and cash of RMB115,545,000 (2005: RMB60,568,000) carried prevailing interest rate of 0.72% (2005: 0.72%).

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

20. Trade Payables and Bills Payable

(a) The aged analysis of trade payables is as follows:

	2006 **RMB'000**	2005 RMB'000
Aged:		
0–90 days	**105,493**	59,079
91–180 days	**4,111**	5,064
181–365 days	**582**	647
Over 1 year	**1,232**	129
	111,418	64,919

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

	2006 **RMB'000**	2005 RMB'000
Aged:		
0–90 days	**84,955**	119,835
91–180 days	**37,360**	29,168
	122,315	149,003

21. Amount Due to a Related Party

Name of related party

	2006 **RMB'000**	2005 RMB'000
Think Honour International Limited ("Think Honour")	**—**	3,169

Think Honour is the substantial shareholder of the Company.

The balance was unsecured, non-interest bearing and was fully repaid during the year.

22. Bank and Other Borrowings

	2006 RMB'000	2005 RMB'000
Bank loans	**1,050,647**	578,329
Borrowings from non-bank financial institutions (note)	**156,174**	125,088
	1,206,821	703,417
Analysis:		
Secured	**581,100**	281,335
Unsecured	**625,721**	422,082
	1,206,821	703,417

The maturity profile of the above loans is as follows:

	2006 RMB'000	2005 RMB'000
On demand or within one year	**1,147,100**	440,015
More than one year, but not exceeding two years	**40,721**	71,900
More than two years, but not more than three years	**19,000**	53,922
More than three years, but not more than four years	**—**	50,017
More than four years, but not more than five years	**—**	25,018
In more than five years	**—**	62,545
	1,206,821	703,417
Less: Amounts due for settlement within one year shown under current liabilities	**(1,147,100)**	(440,015)
Amounts due for settlement after one year	**59,721**	263,402

Note:

The borrowings were provided by an independent European financial institution and the whole amounts will be repayable by 10 installments from September 2008 to March 2013.

As at 31 December 2006, the Group has breached certain conditions of the loan agreement with that European financial institution and as such the Group did not have an unconditional right to defer its settlement for at least twelve months after the balance sheet date, accordingly, the borrowings were classified as a current liabilities as at 31 December 2006.

Subsequent to the balance sheet date, the Company has acknowledged that European financial institution of such non-compliance of undertaking and had received confirmation from that European financial institution that it would maintain the original term of the said borrowings to the Group.

22. Bank and Other Borrowings *(continued)*

At 31 December 2006, bank and other borrowings of RMB167,380,000 (2005: RMB167,065,000) are guaranteed by third parties.

As at 31 December 2006, the Group has bank borrowings of USD22,400,000 which are denominated in foreign currency of the relevant group entities. (2005: USD17,900,000).

The bank borrowings of the Group are fixed-rate borrowings which carry effective interests ranging from 5.27% to 7.34% per annum during the year ended 31 December 2006 (2005: 5.22% to 7.25%).

The borrowings from non-bank financial institutions are variable-rate borrowings which carry effective interests ranging from 7.4% to 8.3% per annum during the year ended 31 December 2006 (2005: 6.8% to 7.4%).

23. Share Capital

The Company

	Number of shares	Amounts
		US$
Authorised:		
Ordinary shares of US$0.05 each		
At date of incorporation and at 1 January 2005	1,000,000	50,000
		HK$
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 and 2006	10,000,000,000	100,000,000

23. Share Capital *(continued)*

	Number of shares	Amounts
		US$
Issued and fully paid:		
Allotted and issued on date of incorporation and at 1 January 2005	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 reorganization to rationalize the structure of the Group in preparation of the listing of shares on the Stock Exchange	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 and 2006	1,222,200,000	12,222,000
		RMB'000
Shown on the consolidated balance sheet at 31 December 2005 and 2006		12,715

The Company was incorporated on 5 January 2004 with an authorized 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.

23. Share Capital *(continued)*

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 3 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.

There was no change in the share capital of the Company during the year ended 31 December 2006.

24. Reserves

Basis of appropriations reserves

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

(a) *Statutory surplus reserve*

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

(b) *Statutory public welfare reserve*

In accordance with "Cai Qi" [2006] No. 67, "Notice of accounting treatment as a result of the implementation of the PRC Co Law", the balance of statutory welfare fund at 31 December 2005 is transferred to the statutory surplus reserve. Further, effective from 1 January 2006, appropriation of the profit as reported under the PRC statutory financial statements to the statutory welfare fund is no longer required.

(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 reorganisation less the consideration payable to the then shareholders.

25. Deferred Taxation

	Temporary differences arising from government grant	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**—**	—
Charge for the year	**1,159**	—
At end of the year	**1,159**	—

At 31 December 2006, the Group has unutilised tax losses of approximately of RMB27,424,000 (2005: RMB3,039,000) available to set off against future assessable profit. No deferred tax assets has been recognised due to the unpredictability of future profit stream.

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

26. Balance Sheet of the Company

	Notes	**2006** **RMB'000**	2005 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries		**629,164**	629,164
Current assets			
Other receivables		**—**	2,954
Bank balances and cash		**1,078**	942
		1,078	3,896
Current liabilities			
Other payable		**1,388**	3,943
Amount due to a subsidiary		**15,034**	8,616
Amount due to a related party		**—**	3,169
		16,422	15,728
Net current liabilities		**(15,344)**	(11,832)
		613,820	617,332
CAPITAL AND RESERVES			
Share capital	23	**12,715**	12,715
Reserves	(a)	**601,105**	604,617
		613,820	617,332

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

Note:

(a) Reserves

	Share premium RMB'000	Contributed surplus RMB'000	Accumulated profit (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, representing total recognised income and expense for the year	—	—	(16,619)	(16,619)
At 31 December 2005	189,989	431,247	(16,619)	604,617
Profit for the year, representing total recognised income and expense for the year	—	—	27,043	27,043
Dividends	(30,555)	—	—	(30,555)
At 31 December 2006	159,434	431,247	10,424	601,105

27. Major Non-cash Transactions

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

28. Operating Lease Commitments

Minimum lease payments paid under operating leases during the year:

	2006 RMB'000	2005 RMB'000
Premises	**2,248**	1,968

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:

	2006 RMB'000	2005 RMB'000
Within one year	**1,459**	2,244
In the second to fifth years inclusive	**3,963**	5,098
	5,422	7,342

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.

29. Capital Commitments

	2006 **RMB'000**	2005 RMB'000
Capital expenditure in respect of acquisition of:		
Contracted for but not provided in the consolidated financial statements		
— property, plant and equipment	**8,398**	—
— intangible assets	**—**	960
	8,398	960
Authorised but not contracted for		
— property, plant and equipment	**443,695**	19,490
	452,093	20,450

30. Pledge of Assets

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

	2006 **RMB'000**	2005 RMB'000
Property, plant and equipment	**563,838**	194,858
Prepaid lease payments	**27,361**	4,725
Pledged bank deposits	**65,889**	115,997
Trade receivables	**—**	27,616
Inventories	**109,769**	21,678
	766,857	364,874

In addition, the borrowings from non-bank financial institutions was secured by the 67.64% equity interest of Qingdao Haisheng Fresh Fruit Juice Co., Ltd, a non-wholly owned subsidiary, which is held by another non-wholly owned subsidiary of the Group.

In order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB100 million, the Group pledged the 99.6% equity interest of Shaanxi Haisheng Fresh Fruit Co., Ltd., a non-wholly owned subsidiary of the Group, to that third party. In addition, the director, Mr. Gao Liang also provided the personal guarantee to that third party.

31. Related Party Disclosures

Compensation of key management personnel

The remuneration of directors and other members of key management during the period were disclosed in note 11.

In addition, the director, Mr. Gao Liang had provided personal guarantee to a third party for counter guarantee the amount which that third party guarantee to the bank borrowing of the Group. Details of those are set out in note 30.

32. Retirement Benefits Scheme

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

During the year, the retirement benefit scheme contributions amounted to approximately RMB1,624,000 (2005: RMB762,000).

33. Subsidiaries

The particulars of the subsidiaries of the Company as at 31 December 2006 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		Principal activities
			Directly	Indirectly	
Wisdom Expect Investments Limited	BVI	Ordinary shares US$200	100%	—	Investment holding
陝西海升果業發展股份有限公司 Translated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.	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.	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	The USA	Nil	—	100%	Marketing and distribution of fruit juice concentrate

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