



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

Stock Code: 359

Interim Report 2007



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UNAUDITED INTERIM RESULTS

The board of directors ("Board") of China Haisheng Juice Holdings Co., Ltd. ("Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2007, with the comparative figures for the corresponding period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	NOTES	(Unaudited) For the six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Turnover	3	864,272	312,816
Cost of sales		(616,223)	(213,755)
Gross profit		248,049	99,061
Other income		3,792	2,283
Distribution costs		(109,973)	(27,457)
Administrative expenses		(24,809)	(19,870)
Other operating expenses		(385)	(1,396)
Finance costs		(42,650)	(22,012)
Profit before taxation		74,024	30,609
Income tax expense	4	(5,338)	(212)
Profit for the period	5	68,686	30,397

(Unaudited)
For the six months
ended 30 June

	NOTES	2007 RMB'000	2006 RMB'000
Attributable to:			
Equity holders of the parents		68,399	30,260
Minority interests		287	137
		68,686	30,397
Dividends			
— Dividends paid	7	24,444	30,555
— Dividends proposed	7	—	—
Earnings per share, basic (RMB cents)	8	5.60	2.48

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>NOTES</i>	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		926,611	889,832
Prepaid lease payments		32,590	30,837
Intangible assets		33,225	34,600
Deposit for acquisition of property, plant and equipment		1,046	6,305
		993,472	961,574
CURRENT ASSETS			
Inventories	<i>10</i>	367,537	701,242
Trade and other receivables	<i>11</i>	417,438	336,694
Pledged bank deposits		29,178	65,889
Bank balances and cash		97,196	115,545
		911,349	1,219,370
Asset classified as held for sale	<i>11</i>	—	21,619
		911,349	1,240,989
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	77,747	148,938
Bills payable	<i>12</i>	25,643	122,315
Dividends payable	<i>12</i>	24,444	—
Dividend payable to the shareholders of a subsidiary		2,917	2,722
Bank and other borrowings — due within one year		773,369	1,147,100
		904,120	1,421,075
NET CURRENT ASSETS/(LIABILITIES)		7,229	(180,086)
		1,000,701	781,488

	<i>NOTES</i>	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
CAPITAL AND RESERVES			
Share capital	<i>13</i>	12,715	12,715
Reserves		750,654	706,201
Equity attributable to equity holders of the parents		763,369	718,916
Minority interests		18,584	1,692
Total equity		781,953	720,608
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year		217,589	59,721
Deferred tax liability		1,159	1,159
		1,000,701	781,488

The unaudited condensed consolidated interim financial statements on pages 2 to 15 were approved and authorised for issue by the Board on 22 August 2007 and are signed on its behalf by:

GAO LIANG
DIRECTOR

ZHU FANG
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2007*

	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Special reserve RMB'000 (Unaudited)	Translation Reserve RMB'000 (Unaudited)	Statutory public welfare reserve RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Attributable to equity holders of the parents RMB'000 (Unaudited)	Minority interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2006	12,715	189,989	258,722	—	15,793	31,587	174,451	683,257	1,534	684,791
Profit for the period	—	—	—	—	—	—	30,260	30,260	137	30,397
Transfer	—	—	—	—	(15,793)	15,793	—	—	—	—
Dividends	—	(30,555)	—	—	—	—	—	(30,555)	(119)	(30,674)
At 30 June 2006	12,715	159,434	258,722	—	—	47,380	204,711	682,962	1,552	684,514
At 1 January 2007	12,715	159,434	258,722	460	—	54,731	232,854	718,916	1,692	720,608
Profit for the period	—	—	—	—	—	—	68,399	68,399	287	68,686
Exchange difference arising on translation of foreign operation	—	—	—	498	—	—	—	498	—	498
Capital contribution from minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	16,800	16,800
Dividends	—	—	—	—	—	—	(24,444)	(24,444)	(195)	(24,639)
At 30 June 2007	12,715	159,434	258,722	958	—	54,731	276,809	763,369	18,584	781,953

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

	For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	398,762	97,714
NET CASH USED IN INVESTING ACTIVITIES	(182,381)	(24,326)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(234,730)	7,567
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,349)	80,955
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	115,545	60,568
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	97,196	141,523

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. GENERAL

The Company is a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 4 November 2005. The ultimate holding company of the Company is Think Honour International Limited ("Think Honour"), a company incorporated in the British Virgin Islands ("BVI") with limited liability.

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the International Financial Reporting Standards ("IFRS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

These unaudited condensed consolidated interim financial statements of the Group should be read in conjunction with the 2006 annual accounts.

The accounting policies used in the unaudited condensed consolidated interim financial statements of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

3. TURNOVER AND SEGMENT INFORMATION

No segment information is presented during the period 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 within one geographic segment as its revenues are primarily generated in the People's Republic of China ("PRC") and its major assets are located in the PRC.

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

	For the six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
North America	451,689	131,411
Europe and Russia	308,175	139,713
Asia	59,428	21,141
Australia	21,151	20,551
Others	23,829	—
	864,272	312,816

4. INCOME TAX EXPENSE

The PRC income tax is calculated 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 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 Group, 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 income tax expense comprises:

	For the six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Provision for income tax		
— PRC	4,589	—
— Other jurisdictions	749	212
	5,338	212

4. INCOME TAX EXPENSE (continued)

At 30 June 2007, the deferred taxation of the Group was approximately RMB1,159,000 (2006: RMB1,159,000). There was no other material unprovided deferred tax for the period or at the balance sheet date.

5. PROFIT FOR THE PERIOD

For the six months ended 30 June	
2007	2006
(Unaudited)	(Unaudited)
RMB'000	RMB'000

Profit for the period has been arrived at after charging:

Directors' remuneration (<i>note 6</i>)	648	609
Other staff costs	13,100	10,056
Retirement benefits scheme contributions	865	474
Total staff costs	14,613	11,139
Auditors' remuneration	120	70
Amortisation of land use rights included in administrative expenses	272	204
Amortisation of intangible assets included in cost of sales and selling expenses	1,375	1,375
Depreciation of property, plant and equipment	20,750	19,091
Cost of inventories recognised in the condensed consolidated income statement	616,223	213,755

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited) RMB'000	(Unaudited) RMB'000
Fees	90	93
Other emoluments:		
Salaries and allowances	511	509
Contributions to retirement benefits scheme	7	7
	648	609

Directors' emoluments

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

	For the six months ended 30 June					
	2007			2006		
	Fee allowances (Unaudited) RMB'000	Salaries and allowances (Unaudited) RMB'000	Contributions to retirement benefits scheme (Unaudited) RMB'000	Fee allowances (Unaudited) RMB'000	Salaries and allowances (Unaudited) RMB'000	Contributions to retirement benefits scheme (Unaudited) RMB'000
Mr. Gao Liang	—	223	2	—	210	2
Mr. Liang Yi	—	144	1	—	124	2
Mr. You Yong	—	92	2	—	88	2
Ms. Zhu Fang	—	92	2	—	87	1
Mr. Li Yuanrui	30	—	—	—	—	—
Mr. Zhao Boxiang	30	—	—	31	—	—
Mr. Xu Yulin	—	—	—	31	—	—
Mr. Yim Hing Wah	30	—	—	31	—	—
	90	551	7	93	509	7

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)***Employees' emoluments***

The five highest paid individuals included two directors of the Company for the six months ended 30 June 2007 (2006: two), 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 RMB974,000) for the six months ended 30 June 2007 and 2006, are as follows:

	For the six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Salaries and allowances	494	795
Retirement benefits scheme contributions	4	2
	498	797

During the six months ended 30 June 2007 and 2006, respectively, no emoluments were paid by the Group to any of the directors of the Company ("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 six months ended 30 June 2007 and 2006, respectively.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

Pursuant to a resolution passed at the annual general meeting held on 29 May 2007, a final dividend payable to equity shareholders of the parents totalling RMB24,444,000 for the year ended 31 December 2006 was approved.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the parents of approximately RMB68,399,000 (2006: RMB30,260,000) and on the weighted average number of 1,222,200,000 Shares (2006: 1,222,200,000 Shares) in issue during the period.

9. CAPITAL EXPENDITURES

During the period, the Group incurred approximately RMB54,295,000 (2006: RMB24,326,000) on capital expenditures.

10. INVENTORIES

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Raw materials	21,367	24,950
Work in progress	36,427	104,272
Finished goods	309,744	572,020
	367,538	701,242

11. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Aged:		
0-90 days	145,526	212,916
91-180 days	1,416	8,429
181-365 days	6,630	7,843
Over 1 year	14,620	9,466
	168,192	238,654

12. TRADE PAYABLES, BILLS PAYABLE, DIVIDEND PAYABLE AND OTHER PAYABLES

The ageing analysis of trade payables is as follows:

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Aged:		
0–90 days	40,297	105,493
91–180 days	3,354	4,111
181–365 days	1,213	582
Over 1 year	525	1,232
	45,389	111,418

13. SHARE CAPITAL***The Company***

	Number of shares	Amounts HK\$
Authorised:		
Ordinary shares of HK\$0.01 each At 30 June 2007 and 31 December 2006	10,000,000,000	100,000,000
	Number of shares	Amounts HK\$
Issued and fully paid:		
At 30 June 2007 and 31 December 2006	1,222,200,000	12,222,000

14. CAPITAL COMMITMENTS

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment not provided for in the interim financial statements as follows:		
— contracted for	212,539	8,398
— authorised but not contracted for	29,746	443,695
	242,285	452,093

15. PLEDGE OF ASSETS

At the respective balance sheet dates, the Group pledged the following assets to banks for credit facilities granted to the Group:

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Property, plant and equipment	525,984	563,838
Prepaid lease payments	48,355	27,361
Pledged bank deposits	29,178	65,889
Inventories	—	109,769
	603,517	766,857

16. 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 6.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results

The Board hereby announces that, for the six months ended 30 June 2007, the Group recorded an unaudited turnover of approximately RMB864.3 million, representing an increase of approximately 176.3% over the same period of last year, and a gross profit margin of 28.7%, as compared with 31.7% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the parents of approximately RMB68.4 million for the period under review, representing an increase of approximately 126.0% over the same period of last year.

For the period under review, the Group recorded an increase in turnover by approximately 176.3% to approximately RMB864.3 million. Such increase was mainly attributable to both of the increase in sales volume and selling price of apple juice concentrate and related products of the Group. During the period, the production volume of the Group significantly increased as the supply of the major raw material, apple, during the pressing season was adequate. In turn, the sales volume increased in line with the increase in production volume. The increase in global market demand for the Group's product led to the increase in the selling price of the Group's products.

For the period under review, the gross profit margin of the Group was decreased to approximately 28.7% from approximately 31.7% in the same period of last year which was attributable to the increase in apple purchase cost during the period under review. Since apple is the major raw material of the Group, the increase in its cost resulted in the decrease in gross profit margin of the Group.

Distribution costs was increased by 300.5% to approximately RMB110.0 million during the period under review. The increase in distribution costs was mainly attributable to the increase in sales volume. The increase in the percentage of sales with CIF terms also increased the freight charges of the Group.

Administrative expenses was increased by 24.9% to approximately RMB24.8 million during the period under review. The increase in administrative expenses was mainly attributable to increase in number of staff and the general increase in staff cost.

Finance cost for the Group amounted to approximately RMB42.7 million in the period under review, representing an increase of 93.7% over the same period of last year. The increase is attributable to the increase in average bank borrowings and interest rate during the period under review.

The Group has attained an unaudited profit attributable to equity holders of the parents of approximately RMB68.4 million for the period under review, representing an increase of approximately 126.0% over the same period of last year. The increase in profit attributable to equity holders of the parents was mainly attributable to the increase in turnover during the period under review as discussed above.

Liquidity, financial resources, gearing and capital commitments

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 30 June 2007, the Group's borrowings amounted to approximately RMB991.0 million (as at 31 December 2006: RMB1,206.8 million), among which, approximately RMB773.4 million (as at 31 December 2006: RMB1,147.1 million) were repayable within one year and approximately RMB217.6 million (as at 31 December 2006: RMB59.7 million) become due more than one year. Approximately RMB458.3 million (as at 31 December 2006: RMB581.0 million) were secured by way of charge of the Group's assets. Approximately RMB207.5 million were denominated in US dollars while approximately RMB783.5 million were denominated in RMB.

As at 30 June 2007, the cash and bank balances including pledged bank deposits amounted to approximately RMB126.4 million (as at 31 December 2006: RMB181.4 million).

The gearing ratio, defined as total liabilities divided by total assets, was decreased from approximately 67.3% as at 31 December 2006 to 58.9% as at 30 June 2007 and debt to equity ratio, defined as total borrowings divided by total equity, decreased from 1.7 as at 31 December 2006 to 1.3 as at 30 June 2007.

As of 30 June 2007, the Group has RMB242.3 million capital commitments (as at 31 December 2006: RMB452.1 million) and has no significant contingent liabilities.

US dollar is one of the major settlement currencies for sales of the Group. Although RMB was revaluated during the period under review, there was no significant impact on the Group's financial position as the Group carried out various measures to minimising the impact accordingly.

Pledge of assets

At the respective balance sheet dates, the Group pledged the following assets to banks for credit facilities granted to the Group:

	At 30 June 2007 (Unaudited) RMB'000	At 31 December 2006 (Audited) RMB'000
Property, plant and equipment	525,984	563,838
Prepaid lease payments	48,355	27,361
Pledged bank deposits	29,178	65,889
Inventories	—	109,769
	603,517	766,857

In relation to the eight year term loan borrowed by the Group a financial institution in Germany, in the amount of US\$20.0 million, it was secured by the 67.6% equity interest of 青島海升果業有限責任公司 (Qingdao Haisheng Fresh Fruit Juice Co., Ltd.*), a non-wholly owned subsidiary of the Group.

* for identification purposes only

Business Review

For the period under review, the Group is principally engaged in manufacturing and distribution of apple juice concentrate and related products with an annual production capacity of 205,000 tons. The adequate supply of raw materials as a result of the normal production of apples in China in the 2006/2007 pressing season and the smooth operation of the factory in Yuncheng (which had commenced operation at the end of 2005) and the extended factory in Qianxian in the 2006/2007 pressing season resulted in a significant increase in the utilisation rate of production capacity of all the factories and a remarkable increase in the production volume of the Group over the previous pressing season. Due to the rise in selling price and sales volume, the Group's results for the six months ended 30 June 2007 significantly increased over the same period last year. During the period, as the Group continued to provide consistent high-quality products and expand its sales network, the Group maintained a good financial position.

Sales and marketing

For the period under review, the Group maintained remarkable sales performance. The Group's products were sold to major markets around the globe including Europe, North America, Russia, Australia, South Africa and Asia. The diversified market coverage enables the Group to grasp the business opportunities brought by the increase in selling prices at different markets more easily and in good time. As a result, the average selling price as well as the turnover of the Group were increased. The Group's sales in Europe and North America rose by 120% and 244%, respectively, over the same period last year.

Production

Due to the adequate apple supply as a result of the normal production of apples and the implementation of more scientific and effective production management and technical innovation during the period, the utilisation rate of production capacity of all the factories and the production volume of the Group rose significantly as compared to the same period last year.

Raw materials

Apple supply was adequate during the period. However, owing to the higher price expectation of fruit farmers and competition among factories, the price of apples still maintained at a relatively high level.

Expansion of production capacity

During the period, the Group established Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Lingbao Branch and Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd. The two new production bases of the Group in Lingbao, Henan and Dangshan, Anhui with an annual production capacity of 50,000 tons are currently under construction. The Group's subsidiary, Dalian Haisheng Fresh Fruit Juice Co., Ltd., has established a cooperative joint venture with a Japanese strategic cooperator to jointly construct a production line for a variety of products with an annual production capacity of 10,000 tons. This production line is also currently under construction.

Foreign exchange exposure

RMB continued to appreciate during the period but its impact on the Group's financial position is minimal. The Group increased its effort in using various currencies for settlement, further explored the market in China and increased the weight of its loans in US dollars for the settlement of its equipment bills. The Group's sales in China increased by 48% over the same period last year. In future, the Group will continue to increase the number of sales contracts which include terms and conditions related to changes in exchange rate.

Human resources and staff remuneration

As of 30 June 2007, the Group has 1,450 staff (30 June 2006: 990 staff). The Group commits resources every year to provide continuing education and training for the management and core business staff so as to improve their technical know-how and managerial skills. In 2006, the Group cooperated with Hewitt Associates Consulting Co., Ltd., a famous consulting firm in the world, which put in place a relatively comprehensive human resources structure and established an effective performance assessment guides and competitive remuneration standards in order to attract candidates with higher caliber, raise staff welfare and increase staff's sense of belongings. In turn, the Group's management became more scientific and formal and the management efficiency will be enhanced. The Group has also provided the statutory pension insurance, medical insurance, accidental insurance, unemployed insurance and accommodation pension for all staff.

Prospects

Looking forward, the competition in the apple juice concentrate processing industry in the PRC will still be fierce. The consolidation of industry will be increased. The Group strongly believes that the Group will be able to achieve bigger market share and much higher profitability through advanced production facilities, optimised human resources system, efficient financial management rules and workflow,

comprehensive sales and marketing network and service system, further improved operational management structure, gradual enhancement of investment effectiveness and active exploration of the processing sector of a variety of products. In future, the Group will continue to enhance the Company's competitiveness in the expansion of production capacity, product diversification, sales and promotion and cost reduction in order to ensure the sustainability of the Company.

Raw materials

In order to ensure the supply of raw materials, the Group keeps enhancing the strategic alliance with its core suppliers and increasing the vegetation area of raw material base. To assure the quality of raw materials and an adequate and steady supply, the Group will also explore new models of raw material base, which are currently actively implemented in the construction of new raw material production bases of the Group.

Expansion of production capacity and product diversification

During the period, the Group established two new factories in Lingbao, Henan and Dangshan, Anhui with an annual production capacity of 50,000 tons, making a total production capacity of the Group of 305,000 tons. The factory in Anhui Dangshan will become the largest production line of pear juice concentrate upon completion and commencement of operation. The Group introduced a strategic partner to Dalian plant to jointly construct production lines for a variety of products. Upon completion, the production line will have the capacity of producing carrot juice concentrate, strawberry juice concentrate, peach juice concentrate and cloudy apple juice concentrate, which will bring new drivers of profit to the Group. The above production lines will commence operation in the fourth quarter. Meanwhile, starting from this pressing season, the Group will commence standardised production of the higher value-added apple aroma to further increase the volume and enhance the quality of apple aroma, thereby bringing positive effect on the profit of the Group.

Enhancement of cost competitiveness

The Company will further reduce its fruit consumption rate by enhancing procurement efficiency, strengthening the management of production and equipment and technical innovation. Meanwhile, the Company will further strengthen its operational management, increase management efficiency, improve liability structure, enhance financing efficiency as well as reduce its financial costs. The Company will enhance its cost competitiveness through all-round cost control measures.

Sales and marketing

The Group will continuously consolidate its original customer bases and actively develop new customers and new markets to enhance its global market share continuously. Under the same product quality, the Group will maintain the Company's reputation in the international and domestic markets and further enhance its price premium ability in international and domestic markets with consistent product quality and convenient and quality logistic services. In order to avoid the risk arising from the appreciation of Renminbi, the Group will mount its marketing efforts and increase its market share in China with stable product quality and diversified varieties.

Sustainability

The Group will continue to enhance creativity and focus on corporate social responsibility. The Group's plants in Qianxian, Weinan, Yuncheng, Dalian and Qingdao are all equipped with auxiliary sewage treatment stations and their sewage discharge is absolutely up to standard. The newly established plants in Dangshan and Lingbao this year will also be equipped with auxiliary sewage treatment facilities. The Company will continuously enhance its creativity in developing key techniques and cost improvement, carry out technological innovation, technical innovation, management innovation, energy saving and consumption reduction to further enhance its cost competitiveness and capital efficiency, maintain a long-standing and stable market share and keep its technologically leading position in long run with a view to ensure the sustainability of the Company.

DISCLOSURE OF INTERESTS**Directors' and chief executive's interests and short position in shares and underlying shares**

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Listing Rules once the shares of the Company ("Shares") are listed, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	576,878,400 Shares (Note 1)	47.2%
Mr. Liang Yi	The Company	Trustee	64,471,600 Shares (Note 2)	5.28%
Mr. You Yong	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Note 3)	Beneficial owner	180,000 Shares	0.097%
Ms. Zhu Fang	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Note 3)	Beneficial owner	180,000 Shares	0.097%

Notes:

1. The 576,878,400 Shares were held by Think Honour, the issued share capital of which was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%). Accordingly, Mr. Gao Liang is deemed to be interested in the 576,878,400 Shares held by Think Honour by virtue of the SFO.
2. The 64,471,600 Shares were held by Raise Sharp International Limited ("Raise Sharp"), the entire issued share capital of which was held by Mr. Liang Yi on trust for 812 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 64,471,600 Shares held by Raise Sharp by virtue of the SFO.
3. Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Is an indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other person's interests in shares and underlying shares

As at 30 June 2007, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Think Honour	The Company	Beneficial owner	576,878,400 Shares (Note 1)	47.20%
Ms. Yue Jingna	The Company	Interest of spouse	576,878,400 Shares (Note 2)	47.2%
Goldman, Sachs & Co.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20.00%
The Goldman Sachs Group, Inc.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20.00%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488	15.04%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	11.03%
Raise Sharp	The Company	Beneficial owner	64,471,600 Shares (Note 4)	5.28%

Notes:

1. The issued share capital of Think Honour was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%).
2. Ms. Yue Jingna is the spouse of Mr. Gao Liang. Ms. Yue Jingna is deemed to be interested in the 576,878,400 Shares in which Mr. Gao Liang is interested by virtue of the SFO.
3. GS Capital Partners 2000 Employee Fund, L.P., GS Capital Partners 2000 GmbH & Co. Beteiligungs KG, GS Capital Partners 2000 Offshore, L.P., GS Capital Partners 2000, L.P. and Goldman Sachs Direct Investment Fund 2000, L.P. (together, the "Investors") are interested in an aggregate of 244,440,000 Shares. The general partner or managing partner of each of the Investors is a direct or indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.. Goldman, Sachs & Co., a wholly-owned subsidiary of The Goldman Sachs Group, Inc., held by The Goldman Sachs Group, Inc. directly and indirectly through intermediate subsidiaries, is the investment manager of each of the Investors. Pursuant to the SFO, each of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. is deemed to be interested in the aggregate 244,440,000 Shares in which the Investors are interested in total.
4. The entire issued share capital of Raise Sharp is held by Mr. Liang Yi on trust for 812 individuals.

So far as is known to the Directors or chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 30 June 2007:

Name	Equity interests held in the members of the Group (other than the Company)	Nature of interests	Approximate percentage
Kataoka & Co., Ltd	Haisheng Kataoka (Dalian) Juice limited	Beneficial owner	30%

CORPORATE GOVERNANCE

The Group has complied, save for the deviation discussed below, with the code provisions on Corporate Governance Practices as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the period under review.

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

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2007.

Model code for securities transactions by directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the period under review.

Remuneration committee

The Remuneration Committee comprising three independent non-executive Directors, namely Mr. Zhao Boxiang (Chairman), Mr. Li Yuanrui and Mr. Yim Hing Wah, appointed by the Board. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the Code and the Company's own code on corporate governance practices.

REVIEW OF INTERIM RESULT

The unaudited interim results for the six months ended 30 June 2007 have been reviewed by the Audit Committee of the Company, which comprises three independent non-executive Directors. The Audit Committee of the Company is of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By order of the Board
China Haisheng Juice Holdings Co., Ltd.
Mr. Gao Liang
Chairman

Xi'an, the PRC, 22 August 2007

As at the date of this report, the Board consists Messers. Gao Liang, Liang Yi, You Yong and Zhu Fang, being executive Directors and Messers. Zhao Boxiang, Li Yuanrui and Yim Hing Wah, being independent non-executive Directors.