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

Stock Code: 359

Interim Report 2008



Contents

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 2008, with the comparative figures for the corresponding period in 2007, as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		(Unaudited) Six months ended 30 June	
		2008	2007
	NOTES	**RMB'000**	RMB'000
Revenue	*4*	**1,107,009**	864,272
Cost of sales		**(790,444)**	(616,223)
Gross profit		**316,565**	248,049
Other income		**2,402**	3,792
Distribution and selling expenses		**(91,953)**	(109,973)
Administrative expenses		**(27,238)**	(24,809)
Other operating expenses		**(566)**	(385)
Finance costs		**(55,876)**	(42,650)
Profit before taxation		**143,334**	74,024
Income tax expense	*5*	**(16,603)**	(5,338)
Profit for the period	*6*	**126,731**	68,686
Attributable to:			
Equity holders of the Company		**126,512**	68,399
Minority interests		**219**	287
		126,731	68,686
Dividends	*7*	**24,444**	24,444
Basic earnings per share (RMB cents)	*8*	**10.4 cents**	5.6 cents

Condensed Consolidated Balance Sheet

As at 30 June 2008

	NOTES	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,332,849**	1,346,657
Prepaid lease payments		**44,860**	45,315
Intangible assets		**13,452**	14,168
Deposit for acquisition of property, plant and equipment		**23,000**	—
		1,414,161	1,406,140
CURRENT ASSETS			
Inventories	*10*	**804,499**	1,434,829
Trade and other receivables and deposits	*11*	**308,491**	268,681
Pledged bank deposits		**54,613**	49,226
Bank balances and cash		**131,672**	35,177
		1,299,275	1,787,913
CURRENT LIABILITIES			
Trade and other payables and deposits	*12*	**284,969**	736,529
Bills payables		**51,413**	63,385
Tax liabilities		**11,454**	15,785
Dividend payable		**24,444**	12,573
Bank and other borrowings — due within one year		**807,694**	888,709
		1,179,974	1,716,981
NET CURRENT ASSETS		**119,301**	70,932
		1,533,462	1,477,072

	NOTES	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**12,715**	12,715
Reserves		**950,663**	844,103
Equity attributable to equity holders of the Company		**963,378**	856,818
Minority interests		**20,104**	19,885
Total equity		**983,482**	876,703
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year		**546,745**	600,289
Deferred tax liabilities		**3,235**	80
		549,980	600,369
		1,533,462	1,477,072

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Accumulated profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007 (audited)	12,715	159,434	—	258,722	460	54,731	232,854	718,916	1,692	720,608
Exchange differences arising on translation of foreign operations	—	—	—	—	498	—	—	498	—	498
Profit for the period	—	—	—	—	—	—	68,399	68,399	287	68,686
Total recognised income and expense for the period	—	—	—	—	498	—	68,399	68,897	287	69,184
Capital contribution from minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	16,800	16,800
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(195)	(195)
Dividends	—	—	—	—	—	—	(24,444)	(24,444)	—	(24,444)
At 30 June 2007 (unaudited)	12,715	159,434	—	258,722	958	54,731	276,809	763,369	18,584	781,953
At 1 January 2008 (audited)	12,715	159,434	—	258,722	594	75,699	349,654	856,818	19,885	876,703
Exchange differences arising on translation of foreign operations	—	—	—	—	(673)	—	—	(673)	—	(673)
Profit for the period	—	—	—	—	—	—	126,512	126,512	219	126,731
Total recognised income and expense for the period	—	—	—	—	(673)	—	126,512	125,839	219	126,058
Recognition of equity-settled share based payments	—	—	5,165	—	—	—	—	5,165	—	5,165
Dividends	—	—	—	—	—	—	(24,444)	(24,444)	—	(24,444)
At 30 June 2008 (unaudited)	12,715	159,434	5,165	258,722	(79)	75,699	451,722	963,378	20,104	983,482

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	(Unaudited) 2008 RMB'000	2007 RMB'000
Net cash inflow from operating activities	**457,508**	413,527
Net cash used in investing activities		
Purchase of property, plant and equipment	**(130,333)**	(227,080)
Other investing activities	**(27,672)**	36,917
	(158,005)	(190,163)
Net cash used in financing activities		
New bank and other borrowings raised	**678,104**	516,269
Repayment of bank and other borrowings	**(812,663)**	(732,132)
Other financing activities	**(68,449)**	(25,850)
	(203,008)	(241,713)
Increase/(decrease) in cash and cash equivalents	**96,495**	(18,349)
Cash and cash equivalents at 1 January	**35,177**	115,545
Cash and cash equivalents at 30 June, representing bank balances and cash	**131,672**	97,196

Notes to the Condensed Interim Consolidated Financial Information

1. General Information

China Haisheng Juice Holdings Co., Ltd. (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 its subsidiaries (hereinafter collectively referred as to the "Group") are principally engaged in the manufacture and sale of fruit juice concentrate and related products.

2. BASIS OF PREPARATION

The condensed consolidated financial statements 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 and with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

3. Principal Accounting Policies

The condensed consolidated financial information has been prepared on the historical cost basis.

The accounting policies used in the preparation of the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the following accounting policy newly adopted in current period.

3. Principal Accounting Policies (continued)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to the accumulated profits.

In the current review period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning on 1 January 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

3. Principal Accounting Policies (continued)

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 and IAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Item[3]
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreement for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

4. Revenue and segment information

No segment information is presented for the period as the Group is principally engaged in one operating segment which is the manufacture and sales of fruit juice concentrate and related products. The Group operates in the People's Republic of China ("PRC") and its major assets are located in the PRC.

The following is a geographical analysis of the Group's revenue based on the location of customers:

	(Unaudited) Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
North America	**790,276**	451,689
Europe and Russia	**131,136**	308,175
Asia	**80,730**	59,428
Australia	**75,591**	21,151
Others	**29,276**	23,829
	1,107,009	864,272

5. Income tax expense

	(Unaudited) Six months ended 30 June 2008 RMB'000	2007 RMB'000
Current tax		
— PRC Enterprise Income Tax	**11,523**	4,589
— Other jurisdictions	**1,925**	749
	13,448	5,338
Deferred taxation	**3,155**	—
	16,603	5,338

The Company is not subject to taxation in the Cayman Islands, which does not levy tax on the income of the Company.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% from 1 January 2008. Taxation arising in the PRC is calculated at 25% (2007: 33%) on the estimated assessable profit of those subsidiaries that are subject to Enterprise Income Tax in the PRC.

Certain PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by the applicable preferential tax rate for the next three years with a 50% reduction. Under the New Law, the preferential tax rate of 24% applicable to certain subsidiaries has been increased to 25%. However, Shannxi Haisheng Fresh Fruit Co., Ltd ("Shannxi Haisheng") continues to enjoy a preferential tax rate of 15% under such tax incentive.

5. Income tax expense (continued)

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

The New Law imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their shareholders. Deferred tax provided for in the condensed consolidated financial statements on the estimated temporary differences arising in this respect amounted to approximately RMB3,201,000.

6. Profit for the period

	(Unaudited) For the six months ended 30 June 2008 RMB'000	2007 RMB'000
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	**724**	648
Other staff costs	**18,699**	13,100
Retirement benefits scheme contributions	**2,035**	865
Total staff costs	**21,458**	14,613
Release of prepaid lease payments included in administrative expenses	**455**	272
Amortisation of intangible assets included in cost of sales	**716**	1,375
Depreciation of property, plant and equipment	**35,025**	20,750
Cost of inventories recognised in the condensed consolidated income statement	**790,444**	616,223
Bank interest income	**(426)**	(868)

Notes to the Condensed Interim Consolidated Financial Information (continued)

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

Pursuant to a resolution passed at the annual general meeting held on 28 May 2008, a final dividend of RMB2.0 cents (2006: RMB2.0 cents) per ordinary share for the year ended 31 December 2007 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 Company of approximately RMB126,512,000 (2007: RMB68,399,000) and on 1,222,200,000 shares in issue during both periods.

No diluted earnings per share has been presented for the six months ended 30 June 2008 as the exercise price of the Company's options was higher than the average market price per share. No diluted earnings per share has been presented for the six months ended 30 June 2007 as there were no outstanding potential ordinary shares for that period.

9. Property, plant and equipment

During the period, the Group incurred approximately RMB21,837,000 on acquisition of property, plant and equipment.

Notes to the Condensed Interim Consolidated Financial Information (continued)

10. Inventories

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Raw materials	**46,520**	27,581
Work in progress	**175,443**	276,883
Finished goods	**582,536**	1,130,365
	804,499	1,434,829

11. Trade and other receivables and deposits

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade receivables	**145,725**	84,444
Less: allowance for doubtful debts	**(8,400)**	(9,640)
	137,325	74,804
Value added tax and other tax receivable	**114,175**	158,705
Advances to suppliers	**35,266**	8,905
Others	**21,725**	26,267
	308,491	268,681

11. Trade and other receivables and deposits (continued)

The Group allows credit period which ranged from 90 to 120 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts at the reporting date, is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Aged:		
0–90 days	**137,233**	67,618
91–180 days	**92**	7,186
	137,325	74,804

12. Trade and other payables and deposits

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade payables	**78,725**	489,847
Payable for acquisition of property, plant and equipment	**70,175**	178,671
Advances from customers	**114,918**	40,558
Others	**21,151**	27,453
	284,969	736,529

12. Trade and other payables and deposits (continued)

The Group is allowed a credit period which ranged from 120 to 365 days from its suppliers. The aged analysis of trade payables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Aged:		
0–90 days	**52,962**	467,760
91–180 days	**11,633**	15,892
181–365 days	**9,057**	3,857
Over 1 year	**5,073**	2,338
	78,725	489,847

13. Capital commitments

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**43,755**	3,059

Management Discussion and Analysis

Review of results

The Board hereby announces that, for the six months ended 30 June 2008, the Group recorded an unaudited turnover of approximately RMB1,107.0 million, representing an increase of approximately 28.1% over the same period of last year, and a gross profit margin of 28.6%, as compared with 28.7% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the Company of approximately RMB126.5 million for the period under review, representing an increase of approximately 85.0% over the same period of last year.

For the period under review, the Group recorded an increase in turnover by approximately 28.1% to approximately RMB1,107.0 million. Such increase was mainly attributable to the increase in selling price of apple juice concentrate and related products of the Group. 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 maintained at approximately 28.6%. The increase in selling price of the Group's products compensated the adverse effect of increasing in cost of apple.

Distribution costs was decreased by 16.4% to approximately RMB92.0 million during the period under review. Because the increase in the percentage of sales with FOB terms decreased the freight charges of the Group.

Administrative expenses was increased by 9.8% to approximately RMB27.2 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 RMB55.9 million in the period under review, representing an increase of 31.0% 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 Company of approximately RMB126.5 million for the period under review, representing an increase of approximately 85.0% over the same period of last year. The increase in profit attributable to equity holders of the Company 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 2008, the Group's borrowings amounted to approximately RMB1,354.4 million (as at 31 December 2007: RMB1,489.0 million), among which, approximately RMB807.7 million (as at 31 December 2007: RMB888.7 million) were repayable within one year and approximately RMB546.7 million (as at 31 December 2007: RMB600.3 million) become due more than one year. Approximately RMB715.7 million (as at 31 December 2007: RMB778.3 million) were secured by way of charge of the Group's assets. Approximately RMB252.9 million were denominated in US dollars while approximately RMB1,101.5 million were denominated in RMB.

As at 30 June 2008, the cash and bank balances including pledged bank deposits amounted to approximately RMB186.3 million (as at 31 December 2007: RMB84.4 million).

The gearing ratio, defined as total liabilities divided by total assets, was decreased from approximately 72.6% as at 31 December 2007 to 63.8% as at 30 June 2008 and debt to equity ratio, defined as total borrowings divided by total equity, decreased from 1.7 as at 31 December 2007 to 1.4 as at 30 June 2008.

During the period ended 30 June 2008, the Group could not fulfill certain conditions of the loan agreement entered with a bank, accordingly, the amount of the said borrowings of approximately RMB48 million were classified under current liabilities as at 30 June 2008.

As of 30 June 2008, the Group has RMB43.8 million capital commitments (as at 31 December 2007: RMB3.1 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:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Property, plant and equipment	**408,881**	460,706
Prepaid lease payments	**35,644**	36,482
Pledged bank deposits	**54,613**	49,226
Inventories	**306,120**	396,436
	805,258	942,850

As at 30 June 2008 and 31 December 2007, in order to obtain the guarantee from a third party to guarantee the bank borrowings of RMB150 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 the third party at the same amount.

As at 30 June 2008, Mr. Gao Liang and Ms. Yue Jingna, the director and his wife, have provided personal guarantee to a bank borrowing of RMB60 million.

In addition, a borrowing of RMB137 million (2007: RMB146 million) provided by an independent European financial institution was secured by the 67.64% equity interest of Qingdao Haisheng Fresh Fruit Juice Co., Ltd., a non-wholly owned subsidiary of the Group.

Business Review

For the period under review, the Group is principally engaged in manufacturing and distribution of vegetable and fruit juice concentrate and related products with an annual production capacity of 350,000 tons. The shortage of supply of apple in China in the 2007/2008 pressing season had resulted in a significant increase in the cost of apple procurement during the period under review. However, due to the increase in selling price supported by our high-quality products and diversified distribution network, the results of the Group for the six months ended 30 June 2008 significantly improved over the same period last year. In addition, as the Group continued to provide high-quality products consistently and expand its sales network during the period under review, the Group maintained a good financial position.

Sales and marketing

During the period under review, the Group maintained remarkable sales performance due to its diversification of markets, which mainly comprise North America, Europe, Russia, South Africa, Australia, and Asia. The Group intensified its efforts in consolidating existing markets and developing new markets during the period under review. The diversified marketing strategy enabled the Group to mitigate risks and grasp opportunities in the fluctuating market, which promised a continued increase in average selling price and turnover.

Production

The utilisation rate of production capacity of the Group's five plants established in 2005 all amounted to above 90%, and the fruit consumption rate were below the industry's average level. However, because of late production commencement of Dangshan Plant and Lingbao Plant, the Group's utilisation rate of production capacity recorded a decrease as compared with the same period last year.

Raw materials

During the period under review, owing to the impact of this year's poor harvest of apples, the disaster suffered by certain fruit-growing area, higher price expectation of fruit farmers and fierce competition among manufacturers, apple price remained at a relatively high level over the same period last year.

Expansion of production capacity

During the period under review, the Group established Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Qixia Branch with an annual production capacity of 35,000 tons. Covering a site area of 77,993 square meters, the Qixia Branch's floor area amounted to 47,999 square meters.

Establishment of R&D base

During the period under review, the R&D center was formally established in the Group's headquarter, the research and development areas cover development of small varieties, technique research in high-profit products such as aroma and further enhance production efficiency and decrease production cost.

Production of a broad range of fruit and vegetable juices

As the production line in Dalian for manufacturing a broad range of fruit and vegetable juices was put into production, small varieties such as peach concentrate and strawberry concentrate had been produced. Some small varieties products had been sold and distributed. The Group will begin the trial production of other small varieties including carrot concentrate and raspberry concentrate soon.

Sustainability

The Group will continue to enhance its innovative capabilities and place more emphasis on corporate social responsibility. The Group's plants are all equipped with auxiliary sewage treatment stations and their treated sewage can fully meet the discharge standard. The Qixia Branch established this year will also be equipped with auxiliary sewage treatment facilities. The Company will continuously enhance its innovative capabilities in developing key techniques and raise cost efficiency, carry out technological innovation, technical innovation, management innovation, energy saving and consumption reduction to further increase its cost competitiveness and capital efficiency, maintain a longstanding and stable market share and keep its technologically leading position in the long run with a view to ensure the sustainability of the Group.

Foreign exchange exposure

RMB continued to appreciate against the US dollars during the period under review but its impact on the Group's financial position was minimal. The Group increased its effort in using various currencies for settlement, further explored market in China and increased the weight of its loans in US dollars. Besides, the Group added terms and conditions related to changes in exchange rate to its sales contracts, so as to further avert the risk caused by the appreciation of RMB.

Cooperation with international financial institution

Under the background of RMB's continuous appreciation against the US dollars, the Group increased its cooperation with international financial institution. The directors of the Company ("Directors") are of the view that the utilization of appropriate financial products can reduce foreign exchange exposure significantly and further promote the development of the Group's business.

Human resources and staff remuneration

As of 30 June 2008, the Group had 1,585 staff (30 June 2007: 1,450 staff). The Group commits resources every year to providing continuous education and training for the management and core business staff so as to improve their technical know-how and managerial skills. During the period under review, the Group continued to closely cooperate with Hewitt Associates Consulting Co., Ltd. ("Hewitt"), a renowned international consulting firm. Hewitt had helped the Group in improving its human resources system and establishing basic performance assessment system and a competitive remuneration standards to attract more candidates with higher caliber. We believe that talent is the core competence of the group and improving staff's welfare and sense of belonging will enable the Group to have more scientific and formal management, this in turn will enhance the Company's management efficiency and productivity so as to maintain our leading position within the industry. The Group also provides insurance welfare such as the statutory pension insurance, medical insurance, work injury insurance, unemployment insurance and housing fund to all staff.

Prospects

Looking forward, the competition in the apple juice concentrate processing industry in the PRC will still be fierce. The industry concentration rate will be intensified with the increasing competition. The Directors strongly believe that the Group will be able to obtain bigger market share and much higher profitability through advanced production facilities, optimised human resources system, efficient financial management system and workflow, comprehensive sales market network and service system, further improvement of operational management structure, gradual enhancement of investment efficiency and active exploration of the processing sector of a variety of products. In future, the Group will continue to enhance the Company's competitiveness and ensure the sustainability of the Company by expansion of production capacity, product diversification, sales promotion and cost reduction.

Raw materials

The stable supply of raw materials are vital to the Group's development. In order to ensure the quality and quantity of raw materials, the Group will continue to enhance the strategic alliance with its core suppliers, increase the vegetation area of apple-growing base and speed up the exploration of new models for raw material base. At present, the Group has made an initial achievement in the construction of raw material base and will push ahead with it more actively.

Expansion of production capacity and product diversification

During the period under review, the Group established a plant in Qixia, Shandong with an annual production capacity of 35,000 tons, making its total production capacity reach 350,000 tons. Meanwhile, the Group will further study and improve the standardised production of 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 production management and promoting 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. In summary, the Group will enhance its cost competitiveness through all-round cost control measures designed for each key area.

Sales and marketing

Apart from continuously consolidating its existing customer base, the Group will also actively develop new customers and expand into new markets, so as to keep enhancing its global market share and participation in emerging markets. Beside markets in which the Group occupies advantageous position such as the US, Europe, Russia and South Africa, the Group also actively increase its contact in emerging markets such as Middle East, India, and South Korea and the Group also strives to make breakthroughs in markets such as Japan and Australia as well. Not only does the Group place more emphasis on developing international markets, it also provides strong support to explore domestic market. With the same product quality, the Group will maintain its good reputation in the international and domestic markets and further enhance its price premium ability internationally and domestically through consistent product quality and high-quality logistic services.

Sales of aroma and small varieties

As the high-profit business of producing aroma and small varieties can stimulate the Group's profit growth significantly, the Group will strive to enhance the standardization of aroma and small varieties production, scalization of output and maximization of profit.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Position in Shares and Underlying Shares

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules 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	566,878,400 Shares *(Note 1)*	46.38%
Mr. Liang Yi	The Company	Trustee	49,751,600 Shares *(Note 2)*	4.07%
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 566,878,400 Shares were held by Think Honour International Limited ("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 566,878,400 Shares held by Think Honour by virtue of the SFO.

2. The 49,751,600 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 660 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 49,751,600 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 2008, 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 2008, 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 under 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	566,878,400 Shares *(Note 1)*	46.38%
Ms. Yue Jingna	The Company	Interest of spouse	566,878,400 Shares *(Note 2)*	46.38%
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 Shares	15.04%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	11.03%
Raise Sharp	The Company	Beneficial owner	49,751,600 Shares *(Note 4)*	4.07%

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 566,878,400 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 660 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 2008:

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 Company is committed to adherence to the regulatory standards of the Stock Exchange, improving the corporate governance structure and performing the obligations as set out in the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. During the period under review, the Company has complied, saved for the deviation discussed below, with the Code.

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 a competent and suitable person to fill the vacancy of the Chief Executive Officer of the Company.

Share Option Scheme

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

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

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

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

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

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

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

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per option. Options may be exercised at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. The exercise price is determined by the directors of the Company, and must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

There was no option outstanding on 1 January 2008. On 3 March 2008, 25,320,000 options were granted to a total of 512 members of staff of the Group with an exercise price of HK$2.012 per share. The closing price of the Company's share immediately before the date on which the above options was granted was HK$2.02. Among the options granted, 18,800,000 options have the vesting period from 3 March 2008 to 2 March 2009 and the exercise period from 3 March 2009 to 2 March 2013 while 6,520,000 options have the vesting period from 3 March 2008 to 2 March 2010 and the exercise period from 3 March 2010 to 2 March 2013. None of the options granted expired, lapsed or were cancelled in accordance with the terms of the Scheme during the period under review. All of the options granted were outstanding as at 30 June 2008.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: 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 2008.

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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code"). 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, was appointed by the Board. The Remuneration 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 Results

The unaudited interim results for the six months ended 30 June 2008 have been reviewed by the Audit Committee, which comprises three independent non-executive Directors. The Audit Committee is of the opinion that these interim results comply with applicable accounting standards 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, 28 August 2008

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.