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## **China Haisheng Juice Holdings Co., Ltd.**

### **中國海升果汁控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 0359)**

#### **POSSIBLE LOSS ON FOREIGN EXCHANGE SWAP CONTRACTS AND LITIGATION**

This announcement is made by China Haisheng Juice Holdings Co., Ltd. and its subsidiaries pursuant to Rule 13.09(1) of the Listing Rules.

The Board informs the Shareholders and potential investors that the Group has disputed with the Defendants over the Contracts which were entered into by the Group and one of the Defendants in July and August 2008 respectively. The estimated amount involved in the dispute was approximately RMB138 million based on the market value of the Contracts calculated by the Defendants as at 10 April 2009. The Group has commenced legal proceedings against the Defendants with respect to the dispute on 2 April 2009 at the Intermediate People's Court of Xian, Shaanxi Province, the PRC (中華人民共和國陝西省西安市中級人民法院) pursuant to the General Principles of Civil Law of the PRC.

No judgment on the legal proceedings has been made yet and the financial impact of the legal proceedings cannot be ascertained at the date of this announcement. The Group will issue further announcement to keep the Shareholders informed in accordance with the Listing Rules.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

#### **Introduction**

This announcement is made by China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively defined as the "Group") pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board of directors of the Company (the "Board") informs shareholders of the Company (the "Shareholders") and potential investors that the Group has disputed with a counterparty (the "Counterparty") of certain foreign exchange swap contracts (the "Contracts"), which were entered into by the Group and the Counterparty in July and August 2008 respectively, and a fellow subsidiary of the Counterparty who acted as a ratings advisor of the Group (the "Ratings Advisor") at the time when the Contracts were prepared and entered into. The estimated amount involved in the dispute was

approximately RMB138 million based on the market value of the Contracts calculated by the Defendants as at 10 April 2009. The Group has commenced legal proceedings against the Counterparty and the Ratings Advisor (together, the “Defendants”) with respect to the dispute on 2 April 2009 at the Intermediate People’s Court of Xian, Shaanxi Province, the People’s Republic of China (the “PRC”) (中華人民共和國陝西省西安市中級人民法院) pursuant to the General Principles of Civil Law of the PRC.

### **Reasons to enter into the foreign exchange swap contracts**

The Group is principally engaged in the manufacture and sale of vegetable and fruit juice concentrate and related products. The market of the Group’s products is highly diversified and mainly comprises North America, Europe, Russia, South Africa, Australia, and Asia. United States Dollar (“USD”) is the major currency of settlement of the export sales of the Group.

Renminbi (“RMB”), the Group’s functional currency, has appreciated against USD in recent years. Any further appreciation of RMB against USD would affect the amount of RMB to be received from the future exchange of trade receivables denominated in USD from the Group’s overseas customers.

In June 2008, the Ratings Advisor introduced the Contracts to the Group and represented to the Group that the Contracts could serve as a hedge for the Group’s trade receivables denominated in USD and mitigate the risk of fluctuation of the value of RMB against USD. For the purpose of hedging, the Group entered into the Contracts with the Counterparty in July and August 2008 respectively.

At the time when the Contracts were entered into, the Group believed that the Contracts would enable the Group to fix the exchange rate of RMB against USD over a contractually specified period, and mitigate foreign exchange losses arising from any future appreciation of RMB against USD.

Pursuant to the Contracts, the Group has the obligation to exchange monthly USD5 million and USD3 million into RMB at the contractually fixed exchange rate of RMB6.828:USD1.00 and RMB6.8555:USD1.00 respectively, until 2013 with the Counterparty. The Counterparty has an option to terminate the Contracts in any month starting six months after the commencement of the Contracts.

On 17 October 2008, the Contracts were restructured as advised by the Ratings Advisor. Upon the restructuring of the Contracts, the obligation to exchange USD into RMB by the Group was changed to a monthly exchange of USD8million into RMB at the contractually fixed exchange rate of RMB6.85:USD1.00, RMB6.78:USD1.00 and RMB6.77:USD1.00 for the period from 10 September 2008 to 10 August 2010, the period from 10 September 2010 to 10 August 2012, and the period from 10 September 2012 to 10 August 2013 respectively and the Group was given an option to terminate the Contracts with a maximum termination payment to the Counterparty of USD38 million. This option to terminate by the Group expired on 10 April 2009.

## **Dispute**

On 19 September 2008, the Ratings Advisor informed the Group that a collateral in the form of cash had to be deposited by the Group. The Ratings Advisor demanded the Group to pay collateral based on the market value of the Contracts, which was calculated by the Defendants, less a threshold amount of USD10 million given to the Group.

Neither the Counterparty nor the Ratings Advisor had advised or disclosed to the Group the terms of any such collateral and any related risks of loss prior to the notice about the possibility of depositing a collateral given by the Ratings Advisor to the Group on 11 September 2008.

The Group believed that at the time when the Contracts were prepared and entered into, the Ratings Advisor should have understood the financial position of the Group and any payment of such collateral would have had adverse effect on the Group.

As at 10 April 2009, the collateral amount was approximately RMB70 million based on the market value of the Contracts of approximately RMB138 million calculated by the Defendants. The market value of the Contracts and the collateral amount demanded by the Ratings Advisor will be driven by the spot and forward exchange rates which are subject to changes from time to time according to the prevailing market conditions. The Group refused to deposit the collateral.

Legal advice has been sought by the Group in the PRC and the Group has commenced legal proceedings against the Defendants with respect to the dispute on 2 April 2009 at the Intermediate People's Court of Xian, Shaanxi Province, the PRC (中華人民共和國陝西省西安市中級人民法院) pursuant to the General Principles of Civil Law of the PRC.

### **The general information of the legal proceedings**

Plaintiff:                      The Company

Defendants:                      The Counterparty and the Ratings Advisor

Plaintiff's claims:

- (1) The court is requested to confirm that the sale of USD/RMB foreign exchange financial derivative products by the Defendants to the Plaintiff has infringed the right of the Plaintiff;
- (2) The Defendants are requested to cease the infringements, restore to the original condition and pay to the Plaintiff damages of RMB5.56 million for the economic loss of the Plaintiff;
- (3) The Plaintiff is requested to repay to the Defendants the settlement amount of USD72,057.7; and
- (4) The Defendants are requested to pay the costs of the proceedings.

On 8 April 2009, the Counterparty served a notice to the Group and it was mentioned in the notice that the Counterparty was exercising its early termination rights under the Contracts and designated 14 April 2009 as the early termination date in respect of all outstanding transactions under the Contracts.

No judgment on the legal proceedings has been made yet and the financial impact of the legal proceedings cannot be ascertained at the date of this announcement. The Group will issue further announcement to keep the Shareholders informed in accordance with the Listing Rules.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Xi'an, the PRC, 14 April 2009

*As at the date of this announcement, the executive directors are Mr. Gao Liang, Mr. Liang Yi, Mr. You Yong and Ms. Zhu Fang; and the independent non-executive directors are Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Yim Hing Wah.*