

Interim Report 2010



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

Stock Code : 359



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Corporate Information

Stock Code

359

Executive Directors:

Mr. Gao Liang (*Chairman*)

Mr. Liang Yi

Mr. Li Bing (appointed on 26 July 2010)

Ms. Zhu Fang (resigned on 26 July 2010)

Ms. Wang Xuemei

Independent non-executive directors:

Mr. Li Yuanrui

Mr. Zhao Boxiang

Mr. Lo Wai Tat Andrew

Company Secretary

Mr. Terence Sin Yuen Ko, FCCA

Authorised Representatives

Mr. Gao Liang

No. 3, Model A

Fengye Yuan, Yanta District

Xi'an, Shaanxi Province

The PRC

Mr. Terence Sin Yuen Ko, FCCA

11/F, Ka Wah Bank Centre

232 Des Voeux Road Central

Hong Kong

Audit Committee Members

Mr. Lo Wai Tat Andrew (*Chairman*)

Mr. Zhao Boxiang

Mr. Li Yuanrui

Remuneration Committee Members

Mr. Zhao Boxiang (*Chairman*)

Mr. Li Yuanrui

Mr. Lo Wai Tat Andrew

Registered Office

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Grand Cayman KY1-1111

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Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street, P.O. Box 705

George Town, Grand Cayman

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor

Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Principal Bankers

Agriculture Bank of China

The Export-Import Bank of China



HIGHLIGHTS

- For the six months ended 30 June 2010, the Group's unaudited turnover decreased from approximately RMB913.2 million to approximately RMB528.9 million, representing a decrease of approximately 42.1% over the same period of last year.
- For the six months ended 30 June 2010, the Group's unaudited profit attributable to equity holders of the parent increased from approximately RMB50.0 million to approximately RMB107.8 million, representing an increase of approximately 115.7% over the same period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).



Management Discussion and Analysis

Review of results

The Board announces that, for the six months ended 30 June 2010, the Group recorded an unaudited turnover of approximately RMB528.9 million, representing a decrease of approximately 42.1% over the same period of last year. Gross profit margin for the six months ended 30 June 2010 was approximately 23.6%, as compared with 24.0% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the parent of approximately RMB107.8 million for the period under review, representing an increase of approximately 115.7% over the same period of last year.

For the period under review, turnover decreased by approximately 42.1% to approximately RMB528.9 million. Such decrease was mainly attributable to the low selling price of apple juice concentrate in the international market since the second half of 2009 as the Group slowed the pace of sales. Sales volume for the first half of 2010 decreased as compared with the same period of last year.

For the period under review, the gross profit margin of the Group decreased from approximately 24.0% to approximately 23.6% which was attributable to the decrease in selling price of the Group's products.

Other gain and loss increased by 1,036.9% to approximately RMB131.2 million. On 4 January 2010, the Group entered into a settlement agreement with the counterparty and the Ratings Advisor, the Group agreed to pay to the Counterparty a sum of USD7,000,000 (equivalent to approximately RMB47,797,000) as the settlement amount on 15 January 2010. Xi'an Intermediate People's Court ordered the discontinuance of the Chinese Proceedings on 12 January 2010 and the English legal proceedings were dismissed by a consent order of the Commercial Court of England on 3 February 2010. All claims the parties have against each other have been settled in full and final. Details of the settlement of the legal proceedings are set out in the announcements of the Group on 4 January 2010 and 11 February 2010.

The settlement of the legal proceedings resulted in a gain on derecognition of other financial liability of RMB131.7 million to the profit or loss for the period under review.

Distribution costs decreased by approximately 22.8% to approximately RMB83.4 million during the period under review. Such decrease was mainly attributable to the decrease in sales volume.



Administrative expenses decreased by approximately 16.5% to approximately RMB35.7 million during the period under review. The decrease in administrative expenses was mainly attributable to the decrease in staff cost.

During the period under review, other operating expense decreased by 98.0% to RMB0.2 million. Such decrease was mainly due to the impairment loss on intangibles of approximately RMB9.2 million caused by the expiration of a patented technology in the corresponding period last year while none of them was incurred in the period under review.

Finance cost for the Group amounted to approximately RMB29.0 million in the period under review, representing a decrease of approximately 8.1% over the same period of last year. The decrease is attributable to the reasonable adjustment of the structure of borrowings and further increase in USD banking facilities as well as the increase in proportion of short-term trade finance loans which lowered the finance costs by the Group during the period under review.

As a result of the foregoing, the Group's unaudited profit attributable to equity holders of the parent increased by 115.7% to approximately RMB107.8 million.

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 2010, the Group's borrowings amounted to approximately RMB1,352.1 million (as at 31 December 2009: RMB1,068.2 million), among which, approximately RMB790.6 million (as at 31 December 2009: RMB499.9 million) were repayable within one year and approximately RMB561.5 million (as at 31 December 2009: RMB568.3 million) become due more than one year. Approximately RMB761.6 million (as at 31 December 2009: RMB655.6 million) were secured by way of charge on the Group's assets. Approximately RMB208.5 million were denominated in US dollars while approximately RMB1,143.6 million were denominated in RMB.

As at 30 June 2010, the cash and bank balances including pledged bank deposits amounted to approximately RMB211.2 million (as at 31 December 2009: RMB62.1 million).

The gearing ratio, defined as total liabilities divided by total assets, was decreased from approximately 66.7% as at 31 December 2009 to approximately 60.6% as at 30 June 2010 and debt to equity ratio, defined as total borrowings divided by total equity, increased from 1.2 as at 31 December 2009 to approximately 1.3 as at 30 June 2010.



Management Discussion and Analysis

As of 30 June 2010, the Group has approximately RMB83.7 million commitments (as at 31 December 2009: RMB0.8 million) and has no significant contingent liabilities.

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

Pledge of assets

At the respective balance sheet dates, the Group pledged the following assets:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Property, plant and equipment	485,170	284,158
Prepaid lease payments	23,844	24,096
Pledged bank deposits	818	12,692
Inventories	497,389	278,927
	1,007,221	599,873

In addition, borrowing in the amounts of approximately RMB81.5 million (31 December 2009: RMB95.6 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 which is held by another non-wholly owned subsidiary of the Group.

Business review

Stable market share

In the second half of 2009, our overseas market was under the positive impact from the recovery of the global economy. To maintain the market share in its major markets, the Group adapted to market demand and adjusted its business strategy in time. For the period under review, the Group's sales accounted for 30.08%, 15.41% and 9.77% of the total export of apple juice concentrate from the PRC to the in North American market, eastern Europe market and Asia-Pacific market



respectively. For the Japanese market, in which it enjoyed advantages in pricing, the Group has broken through the bottleneck by cooperating with Itochu and it is expected the Group will perform well and become one of the most competitive supplier in the Japanese market. Aroma, the Group's another profitable product which has initially achieved its sales scale, has maintained good sales momentum in the first half of 2010 with sales volume increasing by 20.4% as compared with the corresponding period last year.

Expansion of the domestic market:

For the Chinese market, which is much different from the slow recovering international market, the consumption of various juices grew in line with the stable growth of income. With the robust performance of the consumer market, the proportion of the Group's domestic sales increased; and we kept maintaining to be one of the leading producer with the largest market share in apple juice concentrate trade within China. The Group will continue to maintain quality and stable strategic cooperative relationship with a number of famous domestic beverage producers and further develop new customers, open up new sales channels and meet the customers' needs for new juice products. As for the Group's beverage base business in the Chinese market the Group is now negotiating with existing customers in long-term relationship for further cooperation in such business in the future.

Establishment of the R&D Center and Strategic Investment Department:

During the period under review, the Group formed and established the Strategic Investment Department and R&D Center to perform in-depth research on the profit model and operating system of related industries so as to provide support for future strategic changes of the Company and gradually turn Haisheng Juice into a technology-oriented manufacturing enterprise. The quality R&D team focuses on basic research and analyses the upstream planting industry. It has renewed and reformed the current production technique and product structure of the industry and explored and renewed the downstream products based on the strategic changes of the Company with preliminary results.

Strengthening of purchasing channels and control of raw materials:

During the period under review, whilst maintaining the safety of our products and their control system and inspection, the Group further strengthened the control of its raw materials to ensure their quality and quantity, established a new purchasing center and carried out new planning and integration on the purchasing department of the subsidiary.



Management Discussion and Analysis

Management of raw materials and establishment of purchasing channels: Strengthening and widening the survey on raw materials and developing a unique surveying method and the sample database. We have adopted a refined surveying method to strengthen the forecast and survey of raw materials. Application for self-developed new patent – the automatic unloading equipment for fruit and vegetable (Certificate No. 1269706), which strengthens the quality control of raw materials during the loading and unloading process to ensure the safety in food production. The Group continues to enhance the procurement organization of secondary purchasing agents. Currently, the Group has established first phase 4S shops (sole, sizeable, safe and stable) as its secondary purchasing agents for its own raw materials to meet over 40% of our volume of purchase. The establishment and enhancement of the supply channels would further improve the quality of apples and secure the volume of purchase of apple (raw materials) while containing the price fluctuation so as to increase the competitiveness of the Company.

Large volume of raw materials and transportation cost: By inviting open tender, the price could be maintained at low level with excellent quality. Meanwhile, more service providers would be available, which increased the number and structure of suppliers for selection, thus further reducing the transportation cost and improving the service quality.

Human resources and staff remuneration

As of 30 June 2010, the Group had 1,233 staff (30 June 2009: 1,204 staff).

To meet the demand for various kinds of employee for strategic transformation and business growth, the Group continued to strengthen its organizational development and set up a strategic investment department and R&D centre. With the addition of professional management staff and research personnel, the Group enhanced its strategic management and the ability in developing new products. Meanwhile, by recruiting certain professional managers and professionals from other outstanding enterprises, the organization of our headquarters and subsidiaries has also been strengthened. Besides, the Group has successfully established Haisheng Technical Training School and commenced the first phone of training, which provided the Group with a number of talented front-line technicians.

In order to attract and retain candidates with high caliber, increase our staff's sense of belonging and fulfill its corporate social responsibility, the Group is committed to providing its staff with competitive remuneration, training and platform for development.



New patents:

The Group is dedicated to developing new products. During the period under review, the Group was in the progress of application for patents for the following 3 techniques:

1. Preparation for a concentrated peach juice [200810150898.5]
2. Preparation for a de-ionized concentrated grape Juice [200810017438.5]
3. Preparation for a deacidified non-de-ionized concentrated apple juice [200810150900.9]

Acquisition

On 9 April 2010, the Company entered into the Sale and Purchase Agreement with Itochu Corporation (“Itochu”) pursuant to which the Company agrees to acquire through Shaanxi Haisheng, and Itochu agrees to sell, the entire equity interest in each of Yitian Juice (Shaanxi) Co., Ltd. (“Yitian Shaanxi”) and Laiyang Yitian Juice Co., Ltd. (“Laiyang Yitian”) at a total consideration of RMB26,500,000 (equivalent to approximately HK\$30,210,000) plus HK\$50,425,200 to be satisfied partly in cash and partly by issue and allotment of Consideration Shares. Details of the Sales and Purchase Agreement were set out in the Company’s announcement dated 9 April 2010.

Yitian Shaanxi is a limited liability company established in the PRC on 12 April 2002. It is principally engaged in the manufacturing and processing of juice concentrates and sale of self manufactured products in the PRC.

Laiyang Yitian is a limited liability company establish in the PRC on 5 January 1998. It is principally engaged in the manufacturing and processing of fruit juice and vegetable juice concentrates and sale of self manufactured products in the PRC. Laiyang Yitian has established a branch company in Dalian.

The Company and Itochu agreed that Itochu and Shaanxi Haisheng shall execute the Exclusive Distributorship Agreement on the date of execution of the Sale and Purchase Agreement.

Pursuant to the Exclusive Distributorship Agreement, Shaanxi Haisheng appoints Itochu as its sole and exclusive distributor for the marketing, sale and distribution of certain juice products in Japan with an aim to maximize the amount of sale of such products in Japan. Shaanxi Haisheng and Itochu shall also try to explore the possibility to co-operate in the expansion of sale of new products to be delivered by Shaanxi Haisheng.



Management Discussion and Analysis

The Board is of the view that as the global apple juice concentrate industry is entering into a stage of recovery, the completion of acquisition at a more preferential consideration is favorable to the consolidation of the overall industry and is in the interests of the Group. The Acquisition can enhance the resource allocation of the Group, expand the market share in the apple juice concentrate market in Japan and increase the management level of the Company; and is in line with the future strategic development of the Group.

Prospect

Market potential in the future and diversification of products

As the international sales continued to recover in 2010, the Group expected to consolidate the current market share in the second half of the year and strive to develop new juices to satisfy the demand from international and domestic customers and to further enhance the Group's competitiveness and profit margin. In general, sales of apple juice concentrate is recovering. Major markets such as America and Europe have completed the process of inventory downsizing, thus the demand for apple juice concentrate will experience a more sustainable recovery period.

The Group will continue to enhance its market penetration in various consumer markets and raise the market share by further increasing its sales volume with extended sales and services. For the Japanese market, through acquisition of three plants of Itochu and strengthening its strategic cooperation with Itochu, it is expected that the Group will perform well in the Japanese market and various types of juice could penetrate into the Japanese market. The Group further injects large amount of resources and manpower into the R&D and sales of small variety juice and keeps promoting the high profit margin beverage base business to increase its profitability. Moreover, the Group further develops the highly concentrated aroma products, explores and satisfies the demand from aroma and fragrance companies for high-end products, in order to add more value to its products. Besides, the Company will endeavor to develop small variety juice products and new products with high added value; focus on R&D and technological innovation to increase the corporate value and further fulfil its social responsibility and corporate commitment. Currently, the Group has undergone trial production for a number of new products and overseas sales of certain small products in order to extend its product range, which could be launched to the market and be further developed, while in-depth research and exploration of the market demand of juice are conducted and testings and R&D of other products are further promoted to implement strategy of variety product innovation and development, so as to strengthen the competitiveness of the Group.



Increasing manpower investment and enhancing the organization development

The Group will keep an effort in recruiting professional talents, enhancing its organization development, strengthening the employee training and establishing an effective appraisal and incentive system to further improve the performance, skill, knowledge and efficiency of our staff. With the improvement in overall manpower structure our competitiveness will be greatly strengthened. The Group intends to strategically transform Haisheng Juice into a technology oriented manufacturing enterprise through the introduction and cultivation of staff and renovation of its succession plan and organization structure.

Development of financing channels:

The Group closely monitors the exchange rate of RMB against USD in order to adjust the proportion of borrowings denominated in USD and RMB in due course. It will further cooperate with fruit farmers, aiming at improving the payment capacity of the Company. In the future, the Group will continue to use various measures to reduce its financial exposure and strive to cooperate with well-known domestic and overseas financial institutions to broaden the financing channels, so as to reduce the exchange rate risk and financing costs, improve the capital structure and enhance our anti-risk ability.

Promotion of environmental protection and social responsibilities:

The Group has successfully established a production plan and management system. With enhanced promotion and education on EHS (Environmental Protection, Employment Health and Safety) management system and optimized file and report systems, the Group further performed its corporate social responsibility and staff satisfaction increased. The Group has further promoted hygiene production and sewage control during the production process to avoid environmental pollution and prevent from damage by fully complying with the national laws and regulations. Besides, the Group has actively practiced the green production philosophy including energy saving, emission reduction and low carbon footprint in order to fulfill its social commitments.



Directors' Report

Looking forward, the Group will put much effort in identifying potential merger and acquisition opportunities to further improve the consolidation of the industry for the purpose of avoiding disorderly and vicious competition, and lead the industry back to rational and healthy development, enhance the competitiveness and status of the Chinese juice concentrate industry as a whole within the international market and increase the overall profitability in order to pave the way for more benign development for the whole industry.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

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

As at 30 June 2010, 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, 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	459,061,238 Shares (Note 1)	37.56%
Mr. Liang Yi	The Company	Trustee	49,027,600 Shares (Note 2)	4.01%
		Beneficial owner	52,696,782 Shares	4.31%
Ms. Zhu Fang (resigned on (26 July 2010))	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Note 3)	Beneficial owner	180,000 Shares	0.097%
	The Company	Beneficial owner	8,438,160 Shares	0.69%
Ms. Wang Xuemei	The Company	Beneficial owner	4,219,080 Shares	0.35%



Notes:

1. The 459,061,238 Shares were held by Think Honour International Limited ("Think Honour"), the issued share capital of which was owned as to 100% by Mr. Gao Liang. Accordingly, Mr. Gao Liang is deemed to be interested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.
2. The 49,027,600 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 652 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 49,027,600 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 2010, 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' Interests in Shares and Underlying Shares

As at 30 June 2010, so far as is known to the Directors, the following persons other than a Director or chief executive of the Company, had or were deemed or taken to have an interest or short position of 5% or more of the interests 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:

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	459,061,238 Shares (Note 1)	37.56%
Goldman, Sachs & Co.	The Company	Interest of controlled corporation	244,211,286 Shares (Note 2)	19.98%
The Goldman Sachs Group, Inc.	The Company	Interest of controlled corporation	244,211,286 Shares (Note 2)	19.98%



Directors' Report

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
GS Advisors 2000, L.L.C	The Company	Investment manager	183,585,080 Shares	15.02%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,656,202 Shares	11.02%
Raise Sharp	The Company	Beneficial owner	49,027,600 Shares (Note 3)	4.01%

Notes:

- The issued share capital of Think Honour was owned as to 100% by Mr. Gao Liang.
- 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 244,211,286 Shares. The general partner or managing partner of each of the Investors is a direct or indirect whollyowned 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 of 244,211,286 Shares in which the Investors are interested in total.
- The entire issued share capital of Raise Sharp is held by Mr. Liang Yi on trust for 652 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 2010:

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 adhere 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 with the Code, save for the deviation discussed below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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.

Directors' Report

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.

The following table discloses movements of the Company's share options held by employees during the period under review:

Date of grant	Vesting period	Exercise price HK\$	Exercisable period	Outstanding at 1.1.2010	Granted during the period	Lapsed during the period	Outstanding at 30.06.2010
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	15,718,000	–	(516,000)	15,202,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	6,270,000	–	–	6,270,000
				21,988,000	–	(516,000)	21,472,000



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 2010.

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

During the period under review, the Remuneration Committee comprising three independent non-executive Directors, namely Mr. Zhao Boxiang (Chairman), Mr. Li Yuanrui and Mr. Lo Wai Tat Andrew, 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.

Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lo Wai Tat Andrew (Chairman), Mr. Zhao Boxiang and Mr. Li Yuanrui. The Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2010.

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

Xi'an, the PRC, 13 August 2010

As at the date of this report, the Board comprises Messers. Gao Liang, Liang Yi, Li Bing and Wang Xuemei, being executive Directors and Messers. Zhao Boxiang, Li Yuanrui and Lo Wai Tat Andrew being independent non-executive Directors.



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		(Unaudited)	
		Six months ended 30 June	
	NOTES	2010 RMB'000	2009 RMB'000
Revenue	4	528,855	913,174
Cost of sales		(404,048)	(694,127)
Gross profit		124,807	219,047
Other income		1,501	1,188
Other gain and loss		131,159	11,537
Distribution and selling expenses		(83,419)	(107,994)
Administrative expenses		(35,698)	(42,770)
Other operating expenses		(203)	(10,394)
Finance costs		(29,033)	(31,603)
Profit before taxation		109,114	39,011
Income tax expense	5	(1,655)	8,870
Profit for the period	6	107,459	47,881
Other comprehensive expense			
Exchange difference arising on translation of foreign operations		(120)	(4)
Other comprehensive expense for the period		(120)	(4)
Total comprehensive income for the period		107,339	47,877
Profit for the period attributable to:			
Owners of the Company		107,817	49,977
Minority interests		(358)	(2,096)
		107,459	47,881

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010



(Unaudited)			
Six months ended 30 June			
		2010	2009
		RMB'000	RMB'000
		<hr/>	
Total comprehensive income attributable to:			
Owners of the Company		107,697	49,973
Minority interests		(358)	(2,096)
		<hr/>	
		107,339	47,877
		<hr/>	
Dividends	7	—	—
		<hr/>	
Basic earnings per share (RMB cents)	8	8.8 cents	4.1 cents
		<hr/>	



Condensed Consolidated Statement of Financial Position

As at 30 June 2010

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,311,345	1,341,708
Prepaid lease payments		45,551	46,014
		1,356,896	1,387,722
CURRENT ASSETS			
Inventories	10	742,385	1,077,396
Trade and other receivables	11	245,838	177,487
Tax recoverables		341	472
Pledged bank deposits		818	12,692
Bank balances and cash		210,400	49,436
		1,199,782	1,317,483
CURRENT LIABILITIES			
Trade and other payables	12	153,147	529,410
Bills payables		39,750	21,140
Dividend payable to minority shareholders of a subsidiary		407	237
Bank and other borrowings			
– due within one year		790,634	499,938
Provisions for other liabilities and charges		–	179,467
		983,938	1,230,192
NET CURRENT ASSETS			
		215,844	87,291
		1,572,740	1,475,013

Condensed Consolidated Statement of Financial Position

As at 30 June 2010



	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
NOTES		
CAPITAL AND RESERVES		
Share capital	12,715	12,715
Reserves	980,212	872,385
Equity attributable to equity holders of the parent	992,927	885,100
Minority interests	14,912	15,482
Total equity	1,007,839	900,582
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	561,491	568,282
Deferred tax liability	3,410	6,149
	1,572,740	1,475,013



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

									Attributable to equity holders	
	Share capital	Share premium	Share option reserve	Special reserve	Translation reserve	Statutory surplus reserve	Accumulated profits	of the parent	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (audited)	12,715	159,434	12,780	258,722	(430)	93,191	248,578	784,990	19,892	804,882
Profit for the period	-	-	-	-	-	-	49,977	49,977	(2,096)	47,881
Exchange differences arising on translation of foreign operations	-	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income for the period	-	-	-	-	(4)	-	49,977	49,973	(2,096)	47,877
Recognition of equity-settled share based payments	-	-	1,894	-	-	-	-	1,894	-	1,894
At 30 June 2009 (unaudited)	12,715	159,434	14,674	258,722	(434)	93,191	298,555	836,857	17,796	854,653
At 1 January 2010 (audited)	12,715	159,434	14,790	258,722	(430)	110,449	329,420	885,100	15,482	900,582
Profit for the period	-	-	-	-	-	-	107,817	107,817	(358)	107,459
Exchange differences arising on translation of foreign operations	-	-	-	-	(120)	-	-	(120)	-	(120)
Total comprehensive income for the period	-	-	-	-	(120)	-	107,817	107,697	(358)	107,339
Recognition of equity-settled share based payments	-	-	130	-	-	-	-	130	-	130
Dividends paid to minor shareholder of a subsidiary									(212)	(212)
At 30 June 2010 (unaudited)	12,715	159,434	14,920	258,722	(550)	110,449	437,237	992,927	14,912	1,007,839

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2010



	(Unaudited)	
	2010	2009
	RMB'000	RMB'000
Net cash (used in)/inflow from operating activities	(90,601)	347,309
Net cash used in investing activities		
Purchase of property, plant and equipment	(15,267)	(12,273)
Other investing activities	12,002	(35,067)
	(3,265)	(47,340)
Net cash inflow from/(used in) financing activities		
New bank and other borrowings raised	540,319	792,013
Repayment of bank and other borrowings	(256,414)	(1,004,951)
Other financing activities	(29,075)	(35,156)
	254,830	(248,094)
Increase in cash and cash equivalents	160,964	51,875
Cash and cash equivalents at 1 January	49,436	69,874
Cash and cash equivalents at 30 June, representing bank balances and cash	210,400	121,749



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 addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" in this report.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred as to the "Group") are principally engaged in the manufacturing and sale of fruit juice concentrate and related products.

The Group's principal operations are conducted in the PRC. The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

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 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.

These unaudited condensed consolidated interim financial statements of the Group should be read in conjunction with the 2009 annual accounts.

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 2009.



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 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.

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

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
North America	357,438	610,323
Europe and Russia	64,717	150,224
Asia	76,184	49,448
Australia	6,272	37,047
Others	24,244	66,132
	528,855	913,174

5. Taxation

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax	3,040	3,573
– PRC Enterprise Income Tax concessions	–	(12,935)
– Other jurisdictions	1,354	113
	4,394	(9,249)
Deferred taxation	(2,739)	379
	1,655	(8,870)



5. Taxation (continued)

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.

Taxation arising in the PRC is calculated at 25% (2009: 25%) on the estimated assessable profit of those subsidiaries that are subject to Enterprise Income Tax in the PRC except for 陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fresh Fruit Co., Ltd ("Shaanxi Haisheng") which enjoys a preferential tax rate of 15% under the tax incentive in relation to its business in planting, development and production of woody edible oil, flavorings and industrial raw materials.

Certain PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, and are entitled to a 50% relief on PRC income tax for the following three years.

Shaanxi Haisheng, Qingdao Haisheng and Anhui Dangshan Haisheng were approved as “農產品初加工企業” in relation to their production of juice concentrate products and as a result, Shaanxi Haisheng, Qingdao Haisheng were exempted from enterprise income tax rate starting from 1 January 2008 onwards and Anhui Dangshan Haisheng was exempted from enterprise income tax rate starting from 1 January 2009 onwards.

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 Tax Law of the PRC imposes withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their shareholders.



6. Profit for the period

	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	778	503
Other staff costs	10,530	13,343
Retirement benefits scheme contributions	1,896	1,105
Share based payments	130	1,894
Total staff costs	13,334	16,845
Release of prepaid lease payments included in administrative expenses	463	458
Amortisation of intangible assets included in cost of sales	—	348
Depreciation of property, plant and equipment	38,703	40,296
Impairment loss on intangible assets (included in other expenses)	—	9,114
Loss on disposal of property, plant and equipment	78	655
Cost of inventories recognised in the condensed consolidated income statement	404,048	694,127
Provision for other obligations and changes	—	179,567
Reversal of provision for other obligations and charges	(131,723)	—
Bank interest income	(128)	(322)
Gain on derecognition of derivative financial instrument	—	(191,104)



7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

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 RMB107,817,000 (2009: RMB49,977,000) 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 2010 and 2009 as the exercise price of the Company's options was higher than the average market price per share.

9. Property, plant and equipment

During the period, the Group incurred approximately RMB8,418,000 on acquisition of property, plant and equipment.

10. Inventories

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Raw materials	17,146	19,840
Work in progress	101,121	165,715
Finished goods	624,118	891,841
	742,385	1,077,396



11. Trade and other receivables

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables	116,715	65,597
Less: allowance for doubtful debts	(5,324)	(5,386)
	111,391	60,211
Value added tax and other tax receivable	58,324	99,269
Advances to suppliers	9,540	7,981
Others	66,583	10,026
	245,838	177,487

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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Aged:		
0–90 days	110,868	59,366
91–180 days	523	845
	111,391	60,211



Notes to the Condensed Interim Consolidated Financial Information

12. Trade and other payables

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade payables	87,611	470,894
Payable for acquisition of property, plant and equipment	22,391	29,240
Advances from customers	10	3,712
Others	43,135	25,564
	153,147	529,410

The Group allows a credit period which ranged from 120 to 180 days from its suppliers. The aged analysis of trade payables is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Aged:		
0–90 days	49,472	424,349
91–180 days	11,617	41,502
181–365 days	21,657	2,124
Over 1 year	4,865	2,919
	87,611	470,894



13. Commitments

	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of		
– property, plant and equipment	6,807	777
– equity interests of certain PRC companies (note)	76,925	–
	83,732	777

Note:

On 9 April 2010, Shaanxi Haisheng entered into a sale and purchase agreement with an independent third party (“Vendor”) to acquire the entire equity interest in 伊天果汁(陕西)有限公司 (“伊天果汁”) and 萊陽伊天果汁有限公司 (“萊陽伊天果汁”) at a total consideration of RMB26,500,000 (equivalent to approximately HK\$30,210,000) to be satisfied in cash plus HK\$50,425,200 to be satisfied by issue and allotment of shares of the Company. 伊天果汁 and 萊陽伊天果汁 are limited liability companies established in the PRC. 伊天果汁 is principally engaged in the manufacturing and processing of juice concentrates and sale of self manufactured products in the PRC. 萊陽伊天果汁 is principally engaged in the manufacturing and processing of juice concentrates and sale of self manufactured products in the PRC. 萊陽伊天果汁 has established a branch company in Dalian of the PRC.

In addition, Shaanxi Haisheng executed an exclusive distributorship agreement on the date of execution of the sale and purchase agreement. Pursuant to the exclusive distributorship agreement, Shaanxi Haisheng appoints Vendor as its sole and exclusive distributor for the marketing, sale and distribution of certain juice products in Japan.

At the date of this report, the above transaction has not been completed.



14. Contingent Liabilities

As at 30 June 2010, the Group issued financial guarantees to banks in respect of banking facilities granted to its suppliers whom are third parties to the Group with the aggregate amount of RMB3,500,000 (as at 31 December 2009: RMB88,140,000). The said amount were fully utilised by the third parties. In the opinion of the directors, the fair value of the financial guarantee contracts at initial recognition is insignificant as the guaranteed amount will be settled with banks by paying the equivalent amount of trade payable to those suppliers by the Group to the banks directly in case of default of its suppliers.