China Haisheng Juice Holdings Co., Ltd.
中國海升果汁控股有限公司
Stock Code : 359

Annual Report 2011

CONTENTS

Corporate Information

PLACE OF STOCK LISTED
The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE
359

EXECUTIVE DIRECTORS
Mr. Gao Liang *(Chairman)*
Mr. Liang Yi (resigned on 18 October 2011)
Ms. Liu Li (appointed on 18 October 2011)
Mr. Li Bing
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*
Unit 1108, 11th Floor
Ka Wah Bank Centre
232 Des Voeux Road Central
Hong Kong

AUDIT COMMITTEE
Mr. Lo Wai Tat, Andrew *(Chairman)*
Mr. Zhao Boxiang
Mr. Li Yuanrui

REMUNERATION COMMITTEE
Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui
Mr. Lo Wai Tat, Andrew

NOMINATION COMMITTEE
Mr. Gao Liang *(Chairman)*
Mr. Li Yuanrui
Mr. Zhao Boxiang
Mr. Lo Wai Tat, Andrew

REGISTERED OFFICE
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www.chinahaisheng.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS
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Certified Public Accountants
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88 Queensway
Hong Kong

PRINCIPAL BANKERS
The Export-Import Bank of China
Shaanxi Branch
2 Gaoxin Street
Xi'an, Shaanxi Province
The PRC

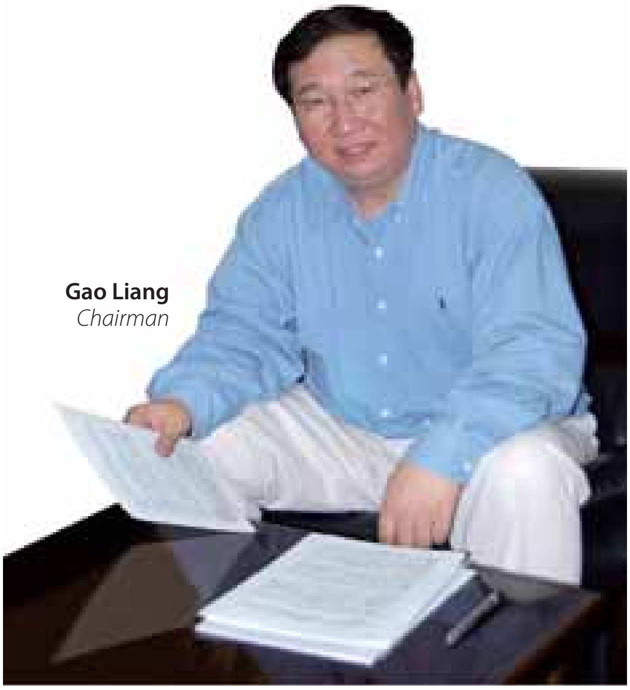
Agricultural Bank of China
Ren Min Road Branch
54 West Ren Min Road
Xian Yang, Shaanxi Province
The PRC

China Merchants Bank
Cheng Nan Branch
178 Han Guang South Road
Xi'an, Shaanxi Province
The PRC

Financial Highlights

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,470,192**	1,505,915	1,387,722	1,455,296	1,406,140
Net-current assets/(liabilities)	**(276,579)**	113,366	87,291	(123,830)	70,932
Non-current liabilities	**(92,850)**	(646,566)	(574,431)	(526,584)	(600,369)
	1,100,763	972,715	900,582	804,882	876,703
Share capital	**13,039**	13,039	12,715	12,715	12,715
Reserves	**1,085,213**	944,971	872,385	772,275	844,103
Equity attributable to owners of the Company	**1,098,252**	958,010	885,100	784,990	856,818
Non-controlling interests	**2,511**	14,705	15,482	19,892	19,885
Total equity	**1,100,763**	972,715	900,582	804,882	876,703

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**2,106,423**	1,403,788	1,447,143	1,697,861	1,881,568
Profit (Loss) before tax	**172,606**	56,647	79,837	(43,185)	183,902
Income tax expense	**(9,714)**	(3,382)	13,853	(15,652)	(20,544)
Profit (Loss) for the year	**162,892**	53,265	93,690	(58,837)	163,358
Profit (Loss) for the year attributable to:					
Owners of the Company	**161,983**	53,829	98,100	(59,140)	161,871
Non-controlling interests	**909**	(564)	(4,410)	303	1,487
	162,892	53,265	93,690	(58,837)	163,358



Gao Liang
Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It is my pleasure to present on behalf of the board of directors (the "Board") of the Company the annual report of the Group for the year ended 31 December 2011.

BUSINESS REVIEW

In 2011, affected by the European debt crisis, the pace of recovery of the European Union economy has slowed down which affected the export of the apple juice concentrate products in China to the traditional markets in Europe. Benefited from the steady growth of the economy in US, the largest apple juice concentrate products import and consumption country, and the rapid growth in consumer demand in the emerging markets such as Russia, South Africa, Middle East and China, the export price of the apple concentrate products in China rose gradually with continued improvement in the profitability of the industry. With its long operating history and leading position in the industry, the Company continued to make use of the advantage in production scale and marketing strengths to cope with the various challenges in the operating process. The Company recorded an operating revenue of RMB2,106.4 million, representing an increase of 50.1% over the same period last year, and achieved an audited profit attributable to owners of the Company of approximately RMB162.0 million, representing an increase of 200.9% over the same period last year. The Company maintains its leading position among its peers in terms of profitability and market share in the principle markets.

In respect of the apple juice concentrate products market, Haisheng continued to increase the sale to the market in North America and uphold our leadership in the North American market. Sales was more than doubled when compared with the second best-seller in the region. As for the Japanese market, after the in-depth cooperation with Itochu Corporation, the market share for China exports to Japan reached the second highest at 26.6%. As for the emerging markets in Middle East, South Africa and China, Haisheng achieved encouraging results, which was ahead of its competitors. While offering high-quality products and excellent services to the customers, the Company made full use of its skills to establish a comprehensive strategic cooperation relationship with its customers in the development and utilization of products and strive for a win-win solution. During the Year Under Review, with the in-depth communication and cooperation with the customers, the Company proceeded a scale production and sale of beverage base and apple juice concentrate in the PRC Market. It is believed that the change of marketing concept in future and customers' relationship of the Company will further consolidate the market share with its existing customers, and also create more market opportunities for the new business growth of the Company.

In the previous year, driven by an increase in labor cost and the excess liquidity, the price of various agricultural products in China rose significantly. The apple raw material price remained high. The operation of the apple juice concentrate in China confronted with demands for better purchasing and financing capacity and cost operating efficiency. By enhancing the service of the suppliers, Haisheng consolidated the network of the suppliers for purchasing raw material and strengthened its control over the raw material suppliers. In the meantime, the Company continued to develop various purchasing channels for raw materials such as direct purchase and purchase by agreement. With the advantage of the strong purchasing channels, the Company continued to enjoy purchasing advantages for raw materials.

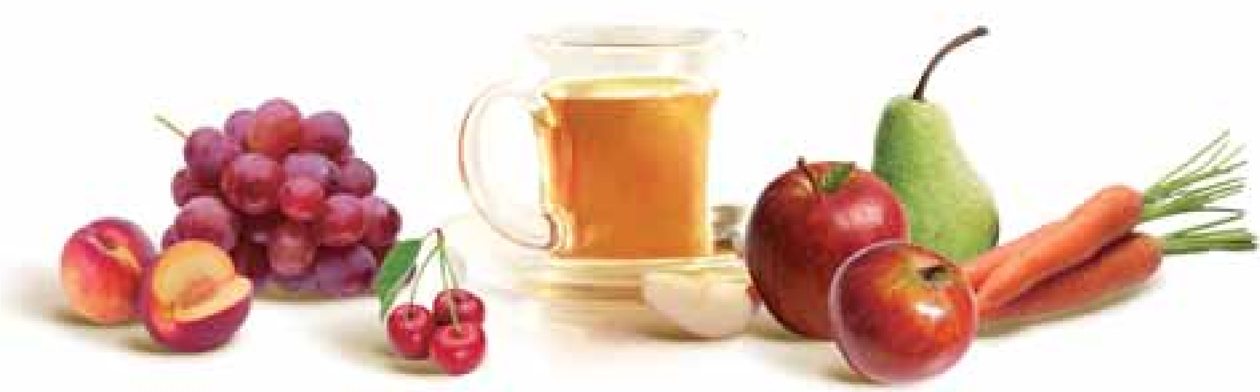
2011 was a year that China has fully tightened its monetary policy. Facing the demand for operating cost due to the high raw material price, the Company, by exploring new financing channels and creating new financial products in cooperation with banks, successfully issued a short-term financial bond in its first time, which changed the structure of operating capital in the apple juice concentrate industry, it also effectively minimized the financial risk of the Company's operation and enhanced the financial strength of the Company. During the Year Under Review, the Group had undertaken an overall assessment for all members of the management and continued to apply the delicacy management for cost and expenses, it continued to maintain leading positions in respect of raw material yield rate, processing fee, package cost and cost effectiveness. The capital operating effectiveness and cost control ability enjoyed by the Company for years not only ensured the healthy and sustainable operation, but also strongly supported the business growth of the Company.

Product structure adjustment of the Company has to be supported by a team of relevant talents. In order to build up the organizational capacity for sustainability, in 2011, the Group continued to recruit a large number of high calibre talents in the fields of agriculture, electrical and mechanical engineering, food science engineering and bio-technology engineering. As at the end of 2011, the number of degree holders or above in the Group was two times more than the same period in 2010 and reached 37% of its workforce, the number of postgraduates or above also increased in its workforce. While recruiting more technical experts, the Company established the Haisheng Management Training Institute, providing management skills training to more than 100 primary officers, and accelerating the training progress of the cadre management. Apart from recruiting new staff, the Company also implemented reinforced performance assessment, speeded up the promotion process and eliminated the underperformed, and accelerated the structural adjustments in both the cadre team and technical team in order to ensure the fast and sustainable strategic transformation of the Group. The Group also commenced the informatization project. It is believed that the successful implementation of the ERP project would lead to more rapid growth in business and ensure the high operational efficiency and effective cost control.

During the Year Under Review, the Group successfully launched the highly concentrated aroma project. The quality of the highly concentrated aroma product was recognized by an internationally renowned natural aroma company and further enhanced the level of standardization and profitability of the Group's aroma product. Its high technology content and added value feature, has a higher profitability as compared to other products of the Group. Moreover, the Company has successfully launched the pulp project. The project was launched and successfully supplied apple pulp product in mass volume to internationally renowned companies. The Company will continue to increase the technological input in respect of vegetable processing and consolidated development of its by-products, expand the range of vegetable processing products to cover products with high gross profit such as natural pigment and aroma, and fosters the Company to become a technical service supplier of vegetable juice beverage formula and a supplier of natural food additives.

PROSPECT

Looking forward, although the recovery of the global economy still faces uncertainties such as Europe's debt crisis, and the rebalancing of international trade will impose more challenges to the international trade of apple juice concentrate business. However, the Group firmly believes that as apple juice concentrate is for daily consumption in the developed countries, its strong demand will continue to support the sustained development of the industry. Given the plentiful resources to support large scale production and high operating efficiency which can hardly be taken over in a short period of time, the apple juice concentrate industry in China will maintain its strong



competitive edge in the international market. In the 12th Five Year Plan of the food industry issued by the PRC government, the development of vegetable juice processing and vegetable juice beverage business has been included as a major support area. With the various policies implemented by the government in raising people's income level, stimulating domestic consumption and expanding domestic demand, the consumption market of vegetable juice, the symbol of natural, nutritional and health food, will have a rapid growth. The Group is confident in its continuous investment and development of the vegetable juice concentrate business in China.

In future, the Company will use such strategies as mergers and acquisitions to accelerate consolidation of the industry, further enhance the centralization of the apple juice concentrate industry in China, create a healthy environment for and improve the overall profitability of the industry. We will also reinforce the construction of our technology-oriented organizational ability by recruiting talents and providing trainings for them. By persistent studies in facility technology and skills of vegetable juice processing, the Company will further enhance its strengths in operational efficiency. With continued investment in new product development, our technological innovation ability will be improved. The Group is striving to maintain and consolidate its strengths in operational efficiency, develop and establish the core technological competitiveness, achieve growth in the Company's business by developing and improving the technology and create more value for all shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to every shareholder, customer and business partner for their continuous support and trust. I would also like to thank our excellent management team and staff for their contribution to the Group's development.

In the coming year, the Group will grasp any opportunity for mergers and acquisitions and continue to expand its market share in order to consolidate our position in the industry. By fully leveraging our extensive customer base and strengthening the build-up of our technological capabilities, we will develop our business both horizontally and vertically through expansion of the fruit and vegetable juice product mix, advancement in depth processing of fruit and vegetable processed products and by-products. By offering more product choices and high-tech value added services to our customers, the new businesses of the Group will grow in a more rapid pace with increased profitability, and these positive results will be shared with all our investors and shareholders.

By Order of the Board
Gao Liang
Chairman

Xi'an, the PRC, 23 March 2012

Management Discussion & Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2011, the Group recorded a revenue of approximately RMB2,106.4 million, representing an increase of 50.1% over previous year. Gross profit margin for the current year is 22.1% as against 15.6% in previous year.

The significant increase in revenue and gross profit margin in 2011 was mainly attributable to the increase in selling price of apple juice concentrate in the international market. The shortage in supply of apples, the main raw material, led to a decrease in supply of apple juice concentrate and a significant increase in the market price of apple juice concentrate.

Other income decreased by 63.2% to approximately RMB26.6 million because there was a discount on acquisition of subsidiaries in the amount of approximately RMB62.6 million recognised in 2010.

Other gains and losses was a net loss of approximately RMB7.6 million while in 2010 was a net gain of RMB134.5 million. The net gain in 2010 was mainly attributable to a gain on derecognition of other financial liability approximately RMB132.1 million.

The decrease in distribution and selling expenses by 36.4% to approximately RMB143.4 million was mainly attributable to the decrease in freight charges during the current year.

The increase in administrative expenses by 27.6% to approximately RMB102.9 million was mainly attributable to the increase in staff cost and the number of staff of the Group.

The slight increase in finance costs by 4.5% to approximately RMB65.4 million was attributable to the decrease in the Group's overall bank and other borrowings due to the tightening of the credit market and the increase in interest rate in 2011.

Attributable mainly to the aforesaid, the Group attained an audited profit attributable to owners of the Company of approximately RMB162.0 million, representing an increase of 200.9% over previous year.

Liquidity, Financial Resources, Gearing and Capital Commitments

As at 31 December 2011, the Group's bank and other borrowings amounted to approximately RMB994.4 million (2010: RMB1,264.7 million), among which, approximately RMB519.0 million were secured by way of charge over the Group's assets and approximately RMB252.0 million were denominated in US dollars while approximately RMB742.4 million were denominated in RMB. The maturity profile of the Group's bank and other borrowings is set out below:

	As at 31st December,	
	2011	2010
	RMB'000	RMB'000
Repayable:		
On demand or within one year	994,390	734,679
Over one year	–	530,000
Total borrowings	994,390	1,264,679

The total equity of the Group increased from approximately RMB972.7 million as at 31 December 2010 to approximately RMB1,100.8 million as at 31 December 2011. The increase was attributable to the profit for the year net of dividend paid.

The gearing ratio, defined as total liabilities divided by total assets, decreased from approximately 71.0% as at 31 December 2010 to 69.6% as at 31 December 2011. Debt to equity ratio, defined as total borrowings divided by total equity, decreased from approximately 1.4 times as at 31 December 2010 to 1.0 times as at 31 December 2011.

The treasury policy of the Group is centrally managed and controlled at the corporate level.

Exposure to Foreign Exchange Fluctuation

The Group is mainly exposed to the fluctuation of USD against RMB. The Group does not have a foreign currency hedging policy. To reduce foreign exchange risk, the Group has adopted certain aggressive measures, such as paying part of the payables in US dollar, and taking into account the possible appreciation of RMB before entering into a sales contract.

Capital Commitments

As 31 December 2011, capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment amounted to approximately RMB38.7 million.

Pledge of Assets

At 31 December 2011, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits and inventories for security of the Group's borrowings and obligation under finance lease with carrying account of approximately RMB885.1 million.

In addition, the Group's equity interests in certain subsidiaries have been pledged to secure bank and other borrowings.

Contingent Liabilities

As at 31 December 2011, 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 RMB709,428,000 (2010: RMB279,350,000). The said amount was 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 payables to those suppliers by the Group to the banks directly in case of default of its suppliers.

BUSINESS REVIEW

Market

During the year under review, the shortage of raw materials has led to an inadequate market supply. The continuous increase in the price of apple juice in the international market resulted in the sales price of the Group's apple juice concentrate reaching a historical high in 2011. The Group's products in US and Canada maintained its leading position for 8 years in a row, accounting for one third of the market share in the export market to the US. The Group has cooperated seamlessly with Itochu Corporation in the Japan market since the completion of the acquisition of its subsidiaries in China in 2010. Our share in the Japan market grew rapidly to 26.6%. Growth was steady in other markets, the sales of pear juice and highly concentrated aroma has become the new driving force of the performance of the Company.

In 2011, the Group's export portion of the apple juice still accounted for around one third in the PRC market. Coupled with a steady export of apple juice, the Company has strengthened the force of study and research and development in the market. High added value aroma products entered the international market and achieved a satisfactory result. The newly developed syrup products with good earnings potential was officially launched. The hawthorn juice, which was produced from natural resources, was well-received by the market. Leveraged on the Group's experience in developing small products, and after in-depth communications with strategic customers, the Group continues to develop new products and perfect its product structure to satisfy down and from customers. As a result, our competitiveness in the international market was substantially enhanced.

To provide better service to customers, the Group has improved the information flow of our logistics system to further enhance operation efficiency and accuracy. In addition, the Group continued to provide door to door service which was well appreciated by our customers.

Research and Development

In respect of new product development, the Group focused on development of various types of products. In this grinding season, the multi-type syrup production line in the Dalian factory financed by the local government was successfully set-up and put into production. Apple syrup and peach syrup were the first products put on sale during the year. The new syrup products will become another source of income for the Group.

In respect of the utilization of apple processing by-product, with the technological improvement and adjustment of facilities, the production of aroma recycling has increased significantly. The standardization of the products was basically completed. The realization of production and completion of sales of highly concentrated aroma increased the added value and competitiveness of the Group's products.

In respect of new business development, the sales of beverage base achieved a steady growth. Comprehensive investigations and studies in the area such as plant extract, utilization of fruit residues and juice fermentation products have commenced for building a solid foundation for new projects.

During the year, the Company has filed applications for three patent pursuant to the "Fruit and Vegetable Key Production Technology and Industrialization" of National Science and Technology Support Program Project (國家科技支撐計畫專案《果蔬食品製造關鍵技術與產業化》) in the Twelfth Five-Year Plan.

Three patents were approved during the year:
Technology for preparation of clear peach juice concentrate (Patent no.: ZL200810150898.5).
Technology for preparation of de-acid apple juice concentrate (Patent no.:ZL200810150900.9)
Technology for preparation of deionized clear grape juice concentrate (Patent no.: ZL200810017438.5).

Purchasing

During the year under review, the Group continued to apply new methods in purchasing, such as introducing GPS for positioning the sample tree in the resource survey. Such new methods enable management to monitor resource changes and provided them with accurate reference for decisions. Entering a strategic cooperation agreement with the state-owned forestry, the Company put a great effort in exploring new locations for resources and increased the purchasing capacity. Each of the subsidiaries continued to establish 4S stations and local acquisitions have expanded 15%. Meanwhile, with establishment of direct collection points, raw material purchasing quality and volume were fully secured. Moreover, technical service teams for fruit farmers has been established in some districts. By providing the professional instructions, sharing of the planting experiences and fruit farm management skills with fruit farmers, the advantage of the Group relating to raw material control further improved.

Production

During the year under review, the Group maintained a good relationship with the international renowned juice beverage companies and strengthened the strategic cooperation with its customers by continuous internal improvement. In line with our culture for excellent quality the Group has increased technological improvement and management input. There was no compliant about food safety throughout the year. We passed the assessment of SGP and BRC of the Coca Cola Company. By improving quality control system, the high-quality image of the Group was further established. In the meantime, "low-carbon production" was the core direction of the Group in cost management. Fuel consumption this year decrease by 10% year-on-year. Our subsidiaries are top energy-saving companies in their respective localities. Driven by continuous advancement in production technology and market exploration, various small items achieve higher profit growth and lay a firm foundation for the Group's diversified profit model. In addition to focusing on its products, the Group also advocated the use of EHS system to reflect its people-oriented business philosophy.

Human Resources

To cater for strategic development needs, the Group will continue to recruit high-calibre individuals, including talents who have more than 10 years of management and technological processing experiences in juice concentrate and related industry some researchers who have experience in the world's top food enterprises and aroma and perfume companies. Those talents are all graduates from famous local or foreign universities majored in food science and expertise in related aspects such as product processing, food science, chemical engineering, plant pathology etc.

To further enhance our organization building, the Group has strengthened its internal training, especially for the fresh graduates. The Group has implemented the "Green Apple Plan (青蘋果計劃)" with the aim to equip the new staff with better understanding of the Company and adopt to our culture. Through our intensive training, we hope our new recruits can quickly acquire entrepreneurial skills. For the primary officers of the Group, comprehensive off-the-job training will be provided at the Haisheng Management Training School for all-rounded elevation of their management ability. This will not only provide the Company with suitable personnel in the middle management, but also equips the Group with stable and sufficient backup force.

The total number of staff of the Group as at 31 December 2011 was 1,972 (2010: 1,566).

Prospect

According to the existing sales environment and international market trend, the Group will make further effort to maintain our existing market share and explore new markets in the year 2012. We will also improve communications with strategic cooperation customers to understand the diversified demand of our customers and to provide directions for the new product research and development.

The Company will develop various products with the resources advantages in each of the production base to realize its high-quality scale production and seek for the new profit driving force.

In respect of purchasing, the Group will continue with the reform and innovation and establish the raw material receiving system project team. By implementing the automatic system, tightening up the quality control of raw material receiving and establishing the direct collecting points and other purchasing channels, a diversified and stable supply chain of 4S station, direct collecting points and contract farmers is gradually formed and the purchasing prices can be lowered further. By exploring on a global basis the auxiliary supply and promoting strategic cooperation between the Company and top suppliers, we will gradually transform our purchasing mode from that of traditional sourcing to strategic sourcing.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 51, is the founder and chairman of the Group. He is responsible for the Group's corporate policy formulation, business strategic planning, business development and overall management of the Company. Mr. Gao has devoted himself to the apple juice concentrate industry since 1996, and has gained plenty of sales and management experiences. In 1982, Mr. Gao graduated from Shaanxi Finance and Economic Institute (陝西財經學院) in industrial economics, and he completed the Global CEO Programme organized by China Europe International Business School. Mr. Gao represents Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("Shaanxi Haisheng") which has been elected as vice president of Fruit Juice Association of China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會). Moreover, his personal accreditations include being elected in 1999 by New China News Agency Shaanxi Branch (新華通訊社陝西分社) and Shaanxi Public Personnel Editorial Committee (陝西新聞人物編委會) as the Turn of the Century Shaanxi Enterprise Capital Restructuring News Figure; as vice president of the China Beverage Industry Association (中國飲料工業協會果蔬汁分會) in 2001, as the vice president of the third Council meeting of the Xianyang Township Enterpreneurs Association (咸陽鄉鎮企業協會) in 2002, was awarded the honourary certificate for being one of the Ten Outstanding Enterpreneurs in the Development of Western China by the Election Committee of Outstanding Entrepreneurs of Western China Development (西部開發優秀創業者評審委員會) and Western China Forum Organization Committee (西部論壇組織委員會) in 2002 and also the Deputy to the 10th National People's Congress of Shaanxi Province, the PRC (陝西省第十屆人大代表).

Ms. Wang Xuemei (汪雪梅), aged 37, is the Director of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.. Ms. Wang joined the Group in 1996. She was responsible for funding. Ms. Wang graduated from Xi'an Jiaotong University (西安交通大學) and obtained a diploma in Accountancy. She graduated from China Europe International Business School with an EMBA degree in 2007.

Mr. Li Bing (李兵), aged 38, joined the Group in 1997, is the deputy general manager of Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.. He is responsible for the operation of the Group. In 1996, Mr. Li graduated from Shaanxi Radio & TV University (陝西廣播電視大學) in Accountancy. He has been studying in China Europe International Business School for an EMBA degree since 2007. Mr. Li's other achievements also includes "Top Ten Outstanding Entrepreneur of Xianyang City" (咸陽市十大優秀企業家) and "Youth Shock Worker of Xianyang City" (咸陽市青年突擊手稱號) in 2006.

Ms. Liu Li (劉麗), aged 37, is the general manager of Shannxi Haisheng Fresh Fruit Juice Co., Ltd.. She has the overall responsibilities for management of the Group. Ms. Liu has three years of experience in financial management before she joined the Group in 2005. Ms. Liu graduated as a postgraduate in Management from Lincoln University in New Zealand. In 2007, she became an executive director of World Juice Industry Association, and a director of World Juice Protection Association. She graduated from China Europe International Business School with an EMBA degree in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Boxiang (趙伯祥), aged 67, was appointed as an independent non-executive Director in September 2005. He is a Guest Professor of China Northwest University (西北大學), the chairman of Shaanxi Society of Economic Reform (陝西省體改研究會) and the president of Shaanxi Independent Director Association (陝西獨立董事協會). Mr. Zhao has previously worked as inspector of State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) and the director of Shaanxi Commission for Restructuring Economy (陝西體制改革委員會) early or late from 1986 to 2005. He graduated with a bachelor's degree majored in political education from Shaanxi Normal University (陝西師範大學) in 1969. Mr. Zhao made remarkable contributions in the reformation of state-owned enterprise and private enterprise, and the listing of the Company. He has wrote many thesis on subjects such as reformation of economic system and regulation of State-owned assets, as well as construction and development of capital market, with some of them were award winners or published in major periodicals.

Mr. Li Yuanrui (李元瑞), aged 70, was appointed as an independent non-executive Director in January 2007, and he was appointed as a deputy director and director of Food Technology Department in Northwest Agriculture University (西北農業大學) which was renamed as Northwest A&F University (西北農林科技大學) from 1989 to 2000. From 1989, Mr. Li has been appointed as the member of Teaching Guidance Committee of 2nd China Senior Agriculture University (第二屆全國高等農業院校教學指導委員會食品科學與工程學科組成員), member of University and Undergraduate Teaching Valuation Expert Team of China Education (國家教育部高校本科教學工作水平評價專家組成員), member of invite and bid expert team of Farm Produce Process of the tenth Five Year of Ministry of China Technology (國家科技部"十五"農產品深加工專案招、投標評估專家組成員), member of Fund Valuation of Agriculture Technology Production (農業科技成果轉化資金評審組成員), member of Agriculture Development Expert Team of China Ministry of Finance (國家財政部農業綜合開發專案評審專家組成員), director of Process and Storage of Agriculture Production of China Agriculture Committee (中國農學會農產品加工貯藏委員會常務理事), deputy chairman of Food Science and Technology Committee in Shaanxi (陝西食品科學技術學會副理事長), director of Shaanxi Food Industry Committee (陝西省食品工業協會理事), member of Expert Consultant Team of Shaanxi Food Industry (陝西省食品工業專家諮詢組成員), member of Industry Valuation Expert Team of Shaanxi Important High Technology (陝西省重大高新技術產業化評估專家組成員). Mr. Li was awarded a Special Allowance by the State Council in 1993. He has 4 books and 76 academic thesis in publication. In 2008, he obtained a letter of patent named "a method for detecting galacturonic acid in juice and drink" (一種測定果汁、飲料中半乳糖醛酸方法) (Patent No. ZL200410073309x).

Mr. Lo Wai Tat, Andrew (盧偉達), aged 39, was appointed as an independent non-executive Director in September 2009. Mr. Lo holds a Bachelor of Business Administration degree in Accountancy and is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Mr. Lo had previously assumed positions of audit manager of an international accounting firm and vice chief financial officer of a company listed on the Stock Exchange. Mr. Lo has over 15 years of financial management and audit experience.

SENIOR MANAGEMENT

Mr. Terence Sin Yuen Ko (單阮高), aged 40, is the company secretary of the Group. Mr. Sin is a member of Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants. He had worked with several Hong Kong accounting firms and PricewaterhouseCoopers prior to joining the Group in January 2005. Mr. Sin received a bachelor degree of business administration from Hong Kong Lingnan University in 1999.

Corporate Governance Report

INTRODUCTION

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 on Corporate Governance Practices (the "Code"). The daily activities were carried out fully pursuant to the established governance policies. The Company has complied, saved for the deviation discussed below, with the principles and provisions as set out in the code provisions contained in the Code by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the Year under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2011.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises of 7 Directors, including 4 executive Directors and 3 independent non-executive Directors. Details of the backgrounds and qualifications of the Directors are set out in the section headed "Directors and Senior Management" in this annual report. All Directors give sufficient time and attention to the Group's affair.

The Board held four board meetings during the year under review. At the meeting, the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Board Meetings
Executive Directors	
Mr. Gao Liang *(Chairman)*	4/4
Mr. Liang Yi *(Vice Chairman)* (resigned on 18 October 2011)	3/3
Ms. Liu Li *(Chief Operating Officer)* (appointed on 18 October 2011)	1/1
Ms. Wang Xuemei	4/4
Mr. Li Bing	4/4
Independent non-executive Directors	
Mr. Zhao Boxiang	4/4
Mr. Li Yuanrui	4/4
Mr. Lo Wai Tat, Andrew	4/4

The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specially delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

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

Under the Company's articles of association ("Articles of Association"), at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (including those appointed for a specific team) shall be subject to retirement by rotation at least once every three years at the general meeting. There are no provisions relating to retirement of Directors upon reaching any age limit.

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement, rotation and reelection at each annual general meeting.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and hence the Company still considers the independent non-executive Directors to be independent.

REMUNERATION OF DIRECTORS

The remuneration committee was established in October 2005. The Chairman is Mr. Zhao Boxiang and other members are Mr. Li Yuanrui and Mr. Lo Wai Tat, Andrew. All of the members are independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee held 2 meetings during the year ended 31 December 2011 to review the terms of employment of the executive Directors and the terms of appointment of the independent non-executive Directors. Details of the attendance of the remuneration committee meetings are as follows:

Directors	**Attendance/Number of Meetings**
Independent non-executive Directors	
Mr. Zhao Boxiang *(Chairman)*	2/2
Mr. Li Yuanrui	2/2
Mr. Lo Wai Tat, Andrew	2/2

The remuneration committee of the Company considers that the existing terms of employment of the executive Directors and appointment terms of the independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The Company established a nomination committee on 29 March 2012. The nomination committee comprises four members, Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Lo Wai Tat, Andrew. The chairman of the nomination committee is Mr. Gao Liang.

NOMINATION OF DIRECTORS

The Board has held a meeting to consider the past performance and qualification of Directors, general market conditions and the Articles of Association in selecting and recommending candidates for directorship. All the executive Directors and independent non-executive Directors have attended the meeting.

During the meeting, the Board considered and resolved that all existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Articles of Association, Mr. Gao Liang, Mr. Zhao Boxang, Mr. Lo Wai Tat, Andrew and Ms. Liu Li will retire, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

During the year under review, the Company has paid to the external auditors approximately HK$0.9 million for audit service fee.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Lo Wai Tat, Andrew, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Lo Wai Tat, Andrew.

The audit committee held two meetings during the Year under Review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance/Number of Meetings**
Mr. Lo Wai Tat, Andrew *(Chairman)*	2/2
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2

The Group's audited annual results for the year ended 31 December 2011 and the unaudited interim results for the six months ended 30 June 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

DIRECTORS AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 23.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational system.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board monitored the Group's progress on corporate governance practices throughout the Year under Review. Periodic meetings were held to discuss financial, operational and risk management control issues and to ensure awareness of good corporate governance practices.

COMMUNICATION WITH SHAREHOLDERS

The Company places high priority in establishing effective communications with its shareholders and investors. To promote and enhance investor relations and communications, the Company has established and maintained communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conference. Press conference is held subsequent to the final results announcement at which the executive Directors and the Chief Financial Officer of the Company avail themselves to questions regarding the Group's operational and financial performances. Maintaining regular dialogues with institutional investors, potential institutional investors, fund manager, shareholders and analysts to keep them abreast of the Company's development is regarded as significance by the Group.

The Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its website at www.chinahaisheng.com.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the Code's principle to encourage shareholders' participation.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group's principal activities are manufacture and sale of fruit juice concentrate and other related products. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 24 of this annual report. The Board recommended the payment of a final dividend of RMB2.0 cents per ordinary share to shareholders of the company for the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure of RMB57.3 million in the acquisition of property, plant and equipment which mainly comprised building and plant and machinery. Details of movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority equity of the Group for the year ended 31 December 2011 and the past four financial years is set out on page 3 of this annual report. This summary does not form a part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to approximately RMB663 million as at 31 December 2011. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the year under review were:

Executive Directors:
Mr. Gao Liang *(Chairman)*
Mr. Liang Yi (resigned on 18 October 2011)
Ms. Liu Li (appointed on 18 October 2011)
Mr. Li Bing
Ms. Wang Xuemei

Independent non-executive Directors:
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Lo Wai Tat, Andrew

Pursuant to the Articles of Association, Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Lo Wai Tat, Andrew and Ms. Liu Li will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 11 to 12 of this annual report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Gao Liang has entered into a service agreement with the Company for a term of three years commencing from 19 October 2008. Mr. Gao has signed a service contract with the Company for a term of three years (subject to the termination provisions of the service contract) commencing from 19 October 2011, Ms. Wang Xuemei, Mr. Li Bing and Ms. Liu Li have entered into service agreement with the Company for a term of three years commencing from 4 May 2009, 26 July 2010 and 18 October 2011 respectively.

Mr. Zhao Boxiang has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 October 2005 and has entered into a renewal letter of appointment with the Company for a term of three years on 19 October 2008. Mr. Li Yuanrui and Mr. Lo Wai Tat Andrew have entered into letter of appointment with the Company for an initial term of three years commencing from 19 January 2007 and 30 September 2009 respectively. The Company intends to enter into a new letter of appointment with Mr. Zhao. and Mr. Li.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year under Review was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year under Review.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 25 to the consolidated financial statements.

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 nonexecutive 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 detail of the options granted were as follows:

Date of grant	Exercise price	Vesting period	Exercisable period	Number of options outstanding as at 1 January 2011	Granted during the year	Forfeited during the year	Lapsed during the year	Number of options outstanding as at 31 December 2011
3 March 2008	HK$2.012	3 March 2008 to 2 March 2009	3 March 2009 to 2 March 2013	14,686,000	–	–	(2,224,000)	12,462,000
3 March 2008	HK$2.012	3 March 2008 to 2 March 2010	3 March 2010 to 2 March 2013	6,270,000	–	–	(1,252,000)	5,018,000
4 July 2011	HK$0.99	4 July 2011 to 3 January 2012	4 January 2012 to 3 July 2014	–	12,550,000	(750,000)	–	11,800,000
4 July 2011	HK$0.99	4 July 2011 to 3 July 2012	4 July 2012 to 3 July 2014	–	12,550,000	(750,000)	–	11,800,000
			Total	20,956,000	25,100,000	(1,500,000)	(3,476,000)	41,080,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, 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, 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)	36.43%
Ms. Liu Li	The Company	Beneficial owner	3,004,000 Shares (note 2)	0.24%
Mr. Li Bing	The Company	Beneficial owner	800,000 Shares (note 2)	0.06%
Ms. Wang Xuemei	The Company	Beneficial owner	5,019,080 Shares (note 3)	0.40%

Notes:

1. As at 31 December 2011, the 459,061,238 Shares were held by Think Honour International Limited ("Think Honour"), the entire issued share capital of which was held by Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.

2. The Shares are underlying shares of options granted under the share option scheme of the Company.

3. The 5,019,080 Shares included 800,000 Shares which are underlying shares of options granted under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2011, 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 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

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)	36.43%
Goldman Sachs & Co.	The Company	Interest of controlled corporation	232,344,000 Shares (Note 2)	18.44%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	232,344,000 Shares (Note 2)	18.44%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488 Shares	14.58%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	10.70%

Notes:

1. The entire issued share capital of Think Honour was held by Mr. Gao Liang.

2. 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 232,344,000 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 232,344,000 Shares in which the Investors are interested in total.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2011.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the Human Resources Division on the basis of their merit, qualifications and competence and reviewed by the remuneration committee of the Group. The emoluments of the Directors are decided by the remuneration committee of the Group, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 39% of the Group's total turnover and the largest customer accounted for approximately 10% of the Group's total turnover for the year 2011. The five largest suppliers accounted for approximately 19% of the Group's total purchases and the largest supplier accounted for approximately 4% of the Group's total purchases for the year 2011.

None of the Directors, their associates, or any shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2011 are set out in note 22 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The audit committee, of the Company comprises three independent non-executive Directors. Summary of duties and works of the audit committee is set out in the "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2011.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events occurring after the reporting period.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
China Haisheng Juice Holdings Co., Ltd.
Mr. Gao Liang
Chairman

Xian, the PRC, 23 March 2012

Independent Auditor's Report

TO THE SHAREHOLDERS OF
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)

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 68, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	7	**2,106,423**	1,403,788
Cost of sales		**(1,640,779)**	(1,184,180)
Gross profit		**465,644**	219,608
Other income	8	**26,617**	72,274
Other gains and losses	9	**(7,603)**	134,452
Distribution and selling expenses		**(143,415)**	(225,588)
Administrative expenses		**(102,896)**	(80,654)
Other expenses		**(312)**	(839)
Finance costs	10	**(65,429)**	(62,606)
Profit before tax		**172,606**	56,647
Income tax expense	11	**(9,714)**	(3,382)
Profit for the year	12	**162,892**	53,265
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		**(377)**	(192)
Other comprehensive expense for the year		**(377)**	(192)
Total comprehensive income for the year		**162,515**	53,073
Profit for the year attributable to:			
Owners of the Company		**161,983**	53,829
Non-controlling interests		**909**	(564)
		162,892	53,265
Total comprehensive income attributable to:			
Owners of the Company		**161,606**	53,637
Non-controlling interests		**909**	(564)
		162,515	53,073
Earnings per share, basic and diluted (RMB cents)	15	**12.86**	4.38

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,383,352**	1,434,701
Prepaid lease payments	17	**86,840**	65,710
Deposit paid for land use right		**–**	5,504
		1,470,192	1,505,915
CURRENT ASSETS			
Inventories	18	**1,578,731**	1,321,122
Trade and other receivables	19	**384,661**	312,578
Prepaid lease payments	17	**2,480**	2,383
Tax recoverable		**241**	472
Pledged bank deposits	20	**25,169**	19,967
Bank balances and cash	20	**157,463**	190,570
		2,148,745	1,847,092
CURRENT LIABILITIES			
Trade and other payables	21	**1,398,845**	936,568
Bills payables	21	**3,647**	34,840
Dividends payable to non-controlling interests of a subsidiary		**63**	407
Bank and other borrowings – due within one year	22	**994,390**	734,679
Obligation under finance lease	23	**28,379**	27,232
		2,425,324	1,733,726
NET CURRENT (LIABILITIES) ASSETS		**(276,579)**	113,366
		1,193,613	1,619,281

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	24	**13,039**	13,039
Reserves	26	**1,085,213**	944,971
Equity attributable to owners of the Company		**1,098,252**	958,010
Non-controlling interests		**2,511**	14,705
Total equity		**1,100,763**	972,715
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	22	**–**	530,000
Obligation under finance lease	23	**79,050**	106,636
Deferred tax liabilities	27	**13,800**	9,930
		92,850	646,566
		1,193,613	1,619,281

The consolidated financial statements on pages 24 to 68 were approved and authorised for issue by the board of directors on 23 March 2012 and are signed on its behalf by:

Gao Liang
DIRECTOR

Liu Li
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31December 2011

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000 (Note 25)	Special reserve RMB'000 (Note 26)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note 26)	Other reserve RMB'000 (Note 26)	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	12,715	159,434	14,790	258,722	(430)	110,449	–	329,420	885,100	15,482	900,582
Exchange difference arising on transition	–	–	–	–	(192)	–	–	–	(192)	–	(192)
Profit for the year	–	–	–	–	–	–	–	53,829	53,829	(564)	53,265
Total comprehensive income for the year	–	–	–	–	(192)	–	–	53,829	53,637	(564)	53,073
Recognition of equity-settled share-based payments	–	–	500	–	–	–	–	–	500	–	500
Lapse of share options	–	–	(694)	–	–	–	–	694	–	–	–
Shares issued for acquisition of subsidiaries (note 28)	324	42,893	–	–	–	–	–	–	43,217	–	43,217
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	(24,444)	(24,444)	–	(24,444)
Dividends distributable to non-controlling interests	–	–	–	–	–	–	–	–	–	(213)	(213)
At 31 December 2010	13,039	202,327	14,596	258,722	(622)	110,449	–	359,499	958,010	14,705	972,715
Exchange difference arising on translation	–	–	–	–	(377)	–	–	–	(377)	–	(377)
Profit for the year	–	–	–	–	–	–	–	161,983	161,983	909	162,892
Total comprehensive income for the year	–	–	–	–	(377)	–	–	161,983	161,606	909	162,515
Recognition of equity-settled share-based payments	–	–	4,923	–	–	–	–	–	4,923	–	4,923
Lapse of share options	–	–	(2,130)	–	–	–	–	2,130	–	–	–
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	(25,200)	(25,200)	–	(25,200)
Appropriated from accumulated profits	–	–	–	–	–	20,759	–	(20,759)	–	–	–
Dividends distributable to non-controlling interests	–	–	–	–	–	–	–	–	–	(238)	(238)
Acquisition of non-controlling interest of a subsidiary	–	–	–	–	–	–	(1,087)	–	(1,087)	(12,865)	(13,952)
At 31 December 2011	13,039	202,327	17,389	258,722	(999)	131,208	(1,087)	477,653	1,098,252	2,511	1,100,763

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**172,606**	56,647
Adjustments for:			
Allowances for inventories		**112**	824
Direct write-off of inventories		**736**	–
Reversal of allowance for inventories		**(824)**	(3,258)
Bad debts written off		**2,181**	–
Depreciation of property, plant and equipment		**95,081**	82,665
Finance costs		**65,429**	62,606
Interest income		**(787)**	(425)
Loss on disposal of property, plant and equipment		**4,383**	1,225
Gain on disposal of land use right		**(176)**	–
Share-based payment expense		**4,923**	500
Release of prepaid lease payments		**2,340**	1,079
Gain on derecognition of other financial liability		**–**	(132,088)
Discount on acquisition of subsidiaries	28	**–**	(62,637)
Operating cash flows before movements in working capital		**346,004**	7,138
Increase in inventories		**(257,633)**	(88,324)
Increase in trade and other receivables		**(76,572)**	(114,645)
Increase in trade and other payables		**466,750**	158,377
(Decrease) increase in bills payables		**(31,193)**	13,700
Decrease in other financial liability		**–**	(47,379)
Cash generated from (used in) operations		**447,356**	(71,133)
Income tax paid		**(5,613)**	(3,602)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**441,743**	(74,735)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(57,279)**	(35,761)
Placement of pledged bank deposits		**(19,588)**	(24,120)
Payment for land use right		**(18,091)**	(6,310)
Proceeds on disposal of land use right		**204**	–
Interest received		**787**	425
Proceeds on disposal of property, plant and equipment		**5,934**	107
Withdrawal of pledged bank deposits		**14,386**	16,845
Deposit paid for land use right		**–**	(5,504)
Acquisition of subsidiaries	28	**–**	26,820
NET CASH USED IN INVESTING ACTIVITIES		**(73,647)**	(27,498)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
Repayments of bank and other borrowings and finance lease	**(1,530,893)**	(1,513,240)
Interests paid on bank and other borrowings and financial lease	**(66,672)**	(62,473)
Dividend paid	**(25,200)**	(24,444)
Acquisition of non-controlling interest of a subsidiary	**(13,952)**	–
Dividends paid to non-controlling interests of a subsidiary	**(582)**	(43)
New bank and other borrowings raised	**1,236,096**	1,843,567
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(401,203)**	243,367
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(33,107)**	141,134
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**190,570**	49,436
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**157,463**	190,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability 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 the annual report.

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group adopted International Accounting Standards ("IASs"), IFRSs, amendments and interpretation ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as the "IFRIC") that are effective for the Group's financial year beginning on 1 January 2011 consistently throughout the year.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not yet effective

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

IFRS 1 (Amendments)	Government Loan[2]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax - Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranged from 30 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payables, dividends payable to non-controlling interests of a subsidiary and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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 options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to the accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgments. When there is objective evidence of impairment loss, the Group estimates the future cash flows to determine the impairment loss. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, material amount of allowances may be required. The carrying amount of trade receivables as at 31 December 2011 is RMB141,513,000 (2010: RMB143,016,000), net of allowance for doubtful debts of RMB5,107,000 (2010: RMB5,278,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Write-down of inventories

The management reviews the aging of inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material allowance for inventory may arise. As at 31 December 2011, the carrying amount of inventories is RMB1,578,731,000 (2010: RMB1,321,122,000) (net reversal of allowance for inventories of RMB712,000 (2010: RMB2,434,000) and direct write-off of inventories of RMB736,000 (2010: nil)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through payment of dividends, issue of new shares and/or new debt or extension or redemption of its existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**330,671**	357,885
Financial liabilities		
Amortised cost	**2,322,545**	2,148,693

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, bank and other borrowings and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 56% (2010: 62%) of the Group's sales and transportation payables are denominated in foreign currency, United States dollar ("USD").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**263,654**	370,474	**182,420**	56,214

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against USD. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2011	2010
	RMB'000	RMB'000
Profit for the year	**3,046**	11,785

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, pledge bank deposits and obligation under finance lease (see notes 22, 20 and 23 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings and bank balances (see notes 22 and 20 for details) carried at prevailing interest rate. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by RMB1,616,000 (2010: decrease/increase by RMB2,236,000). This is mainly attributable to the Group's exposure to the fluctuation of London Interbank Offered Rate ("LIBOR") and The People's Bank of China Base Lending Rate ("PBCBLR") on its variable-rate bank and other borrowings.

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's result for 2011 and 2010 is not significant.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 34.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has concentration of credit risk on trade receivables with exposure limited to certain counterparties and customers. As at 31 December 2011, the five largest customers accounted for approximately 52% (2010: 43%) of the Group's trade receivables. The five customers are located in United States of America (the "USA"), South Africa and Japan. These top five customers have good credit rating and repayment history. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 45% (2010: 59%) of the total trade receivables as at 31 December 2011. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

Credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with good reputation. The Group does not have other significant concentration of credit risk on other receivables.

Liquidity risk

The Group has net current liabilities of RMB276,579,000 as at 31 December 2011. The directors of the Company are satisfied that with its existing resources, available unutilised banking facilities of RMB1,127 million and future operating cash flows, the Group will have sufficient working capital to meet in full its financial obligations as they fall due for the foreseeable future and be able to continue to operate with no significant financial difficulties.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2011

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 12.31.2011 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	1,213,367	928	110,150	–	1,324,445	1,324,445
Bills payables	–	3,647	–	–	–	3,647	3,647
Dividend payable to non-controlling interests of a subsidiary	–	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	4.16	65,176	4,039	503,726	–	572,941	563,576
– variable-rate	5.30	39,852	58,070	345,506	–	443,428	430,814
Obligation under finance lease	6.49	7,374	–	22,847	84,181	114,402	107,429
Financial guarantee contracts	–	709,428	–	–	–	709,428	–
		2,038,907	63,037	982,229	84,181	3,168,354	2,429,974

2010

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 12.31.2010 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	749,095	–	99,672	–	848,767	848,767
Bills payables	–	34,840	–	–	–	34,840	34,840
Dividends payable to non-controlling interests of a subsidiary	–	407	–	–	–	407	407
Bank and other borrowings							
– fixed-rate	3.57	92,598	311,493	184,655	103,570	692,316	668,452
– variable-rate	5.97	70,181	–	105,970	455,671	631,822	596,227
Obligation under finance lease	5.41	8,611	–	25,834	119,620	154,065	133,868
Financial guarantee contracts	–	279,350	–	–	–	279,350	–
		1,235,082	311,493	416,131	678,861	2,641,567	2,282,561

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the amount is claimed by the counterparty to the guarantee. According to the financial guarantee contracts, the Group has legal right to offset the full guarantee amount against trade payables to its suppliers (see note 34 for details) upon default by the suppliers. Based on expectation at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

The executive directors regularly reviews revenue by locations of customers including North America, Asia, South Africa, Europe, Russia and Australia, and the consolidated statement of comprehensive income to make decision about resources allocations. Profit for the year is the segment profit reviewed by the executive directors. As no other discrete financial information is available for the assessment of performance of its business, no segment information is presented other than entity-wide disclosure.

The Group is principally engaged in manufacture and sales of fruit juice concentrate and related products. About 91% (2010: 92%) of revenue are generated from apple juice concentrate and related products.

Geographic information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by locations of customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
North America	**1,206,098**	936,716	**205**	–
Asia	**399,726**	189,717	**1,469,987**	1,505,915
South Africa	**221,918**	96,738	**–**	–
Europe	**155,581**	69,805	**–**	–
Russia	**91,857**	92,966	**–**	–
Australia	**31,243**	17,846	**–**	–
	2,106,423	1,403,788	**1,470,192**	1,505,915

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 **RMB'000**	2010 RMB'000
Customer A	**213,561**	N/A[1]
Customer B	**N/A[1]**	180,762
Customer C	**N/A[1]**	151,843

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

	2011 **RMB'000**	2010 RMB'000
PRC Government subsidies (note)	**3,474**	5,957
Bank interest income	**787**	425
Amortisation of deferred income (note 21(c))	**19,000**	–
Discount on acquisition of subsidiaries	**–**	62,637
Others	**3,356**	3,255
	26,617	72,274

Note: The subsidies from the PRC Government recognised by the Group in both years represent subsidies for encouraging its export sales and supporting the fruit juice concentrate business in the PRC. They were unconditional and determined at the sole discretion of the relevant PRC Government authorities.

9. OTHER GAINS AND LOSSES

	2011 **RMB'000**	2010 RMB'000
Loss on disposal of property, plant and equipment	**4,383**	1,225
Gain on disposal of land use right	**(176)**	–
Bad debts written off	**2,181**	–
Net foreign exchange loss (gain)	**1,215**	(3,589)
Gain on derecognition of other financial liability (note)	**–**	(132,088)
	7,603	(134,452)

Note: The gain on derecognition of other financial liability represented the difference between the recognition of other financial liability by the Group upon termination of several foreign exchange structured currency swap contracts in 2009 of USD26,283,603 (equivalent to approximately RMB179,467,000) and the final settlement of RMB47,379,000 in 2010.

10. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**59,325**	62,637
– finance lease	**8,014**	2,029
Less: interest subsidies from the PRC Government (note)	**(1,910)**	(2,060)
	65,429	62,606

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

11. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax:		
PRC Enterprise Income tax ("EIT") (including PRC withholding tax of RMB2,739,000 for the year ended 31 December 2010 (2011: nil))	**2,505**	3,027
Other jurisdiction	**514**	574
	3,019	3,601
Underprovision in prior year:		
PRC EIT (note)	**2,825**	–
	5,844	3,601
Deferred tax (note 27)	**3,870**	(219)
	9,714	3,382

Note: The amount represents underprovision of EIT of 陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("Shaanxi Haisheng") and 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Juice Co., Ltd. ("Qingdao Haisheng") as the finalised tax return issued by the relevant tax authorities assessed that their sale of aroma is not exempted from EIT.

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.

11. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, certain PRC subsidiaries enjoy a preferential tax rate of 15% for 2010 and 2011. The PRC subsidiaries will need to apply for the preferential tax rate every year.

For the year ended 31 December 2010 and 2011, certain subsidiaries of the Company, Shaanxi Haisheng, Qingdao Haisheng and 伊天果汁(陝西)有限公司 translated as Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") were approved as "農產品初加工企業" in relation to their production of juice concentrate products. As a result, Shaanxi Haisheng, Qingdao Haisheng and Yitian Shaanxi were exempted from EIT for both years. For the year ended 31 December 2011, another subsidiaries of the Company, 大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng") and 栖霞海升果業有限公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd. ("Qixia Haisheng") were approved as "農產品初加工企業" in relation to their production of juice concentrate products and were exempted from EIT for 2011. Certain provinces required the application of tax exemption under "農產品初加工企業" every year.

A subsidiary of the Company, Haisheng International Inc., is a limited liabilities company incorporated in the USA on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.

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

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**172,606**	56,647
Tax at the domestic income tax rate of 25%	**43,152**	14,162
Tax effect of expenses not deductible for tax purpose	**2,879**	1,556
Tax effect of income not taxable for tax purpose	**(5,619)**	(51,331)
Tax effect of deductible temporary differences not recognised	**(212)**	(206)
Tax effect of tax losses not recognised	**10,218**	36,174
Effect of tax exemption and tax concession	**(48,080)**	–
Effect of different tax rate of a subsidiary operating in other jurisdiction	**126**	507
Effect of tax on undistributed earnings of PRC's subsidiaries	**4,425**	2,520
Underprovision in respect of prior year	**2,825**	–
Tax charge for the year	**9,714**	3,382

Details of movements in deferred tax liabilities are set out in note 27.

12. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 13)	3,669	2,495
Salaries and wages	67,991	51,178
Retirement benefits scheme contributions	7,855	5,604
Share-based payments	4,172	500
Total staff costs	83,687	59,777
Auditor's remuneration	891	1,291
Release of prepaid lease payments (included in administrative expenses)	2,340	1,079
Depreciation of property, plant and equipment	95,081	82,665
Cost of inventories recognised as an expense (note)	1,640,779	1,184,180

Note: For the year ended 31 December 2011, included in the cost of sales is the net reversal of allowance for inventories amounted to RMB712,000 (2010: RMB2,434,000) and direct write-off of inventories amounted to RMB736,000 (2010: nil). The net reversal of allowance of inventories includes reversal of allowance for inventories amounted to RMB824,000 (2010: RMB3,258,000) and allowance for inventories amounted to RMB112,000 (2010: RMB824,000). The reversal was made based on subsequent sales during the year.

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	2011						2010				
	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Mr. Zhao Boxiang	60	–	–	–	–	60	60	–	–	–	60
Mr. Li Yuanrui	60	–	–	–	–	60	60	–	–	–	60
Mr. Lo Wai Tat, Andrew	60	–	–	–	–	60	60	–	–	–	60
Mr. Gao Liang	–	880	220	40	–	1,140	–	726	160	25	911
Mr. Liang Yi (note iii)	–	330	–	17	–	347	–	333	83	25	441
Ms. Zhu Fang (note i)	–	–	–	–	–	–	–	119	55	15	189
Ms. Wang Xuemei	–	320	80	40	167	607	–	283	24	25	332
Mr. Li Bing (note ii)	–	480	120	40	167	807	–	393	24	25	442
Ms. Liu Li (note iv)	–	130	33	8	417	588	–	–	–	–	–
	180	2,140	453	145	751	3,669	180	1,854	346	115	2,495

13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Notes:

(i) Ms. Zhu Fang resigned on 26 July 2010.

(ii) Mr. Li Bing was appointed on 26 July 2010.

(iii) Mr. Liang Yi resigned on 18 October 2011.

(iv) Ms. Liu Li was appointed on 18 October 2011.

The performance related incentive payment is determined based on the Group's performance for the year.

Employees' emoluments

The five highest paid individuals included three (2010: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining highest paid individuals fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB828,000) for the years ended 31 December 2011 and 2010, are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and allowances	**888**	783
Retirement benefits scheme contributions	**40**	50
Share-based payments	**271**	–
	1,199	833

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2011 and 2010.

14. DIVIDENDS

	2011 **RMB'000**	2010 RMB'000
Dividends recognised as distribution during the year	**25,200**	24,444

The final dividend of RMB2.0 cents (2010: RMB2.0 cents) in respect of the year ended 31 December 2011 per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

During the year ended 31 December 2011, the final dividend of RMB25,200,000, representing RMB2.0 cents for ordinary shares in respect of the year ended 31 December 2010 were declared by the Board and had been recognised and distributed during the year.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB161,983,000 (2010: RMB53,829,000) and on the weighted average number of 1,260,000,000 shares (2010: the number of 1,229,242,192 shares) in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2011 and 2010.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2010	607,651	1,019,802	9,065	12,939	72	1,649,529
Additions	1,260	8,378	627	1,043	4,201	15,509
Acquired on acquisition of subsidiaries	74,450	83,859	2,105	1,067	–	161,481
Transfer	442	2,643	–	–	(3,085)	–
Disposals	(15)	(748)	(306)	(1,009)	–	(2,078)
At 31 December 2010	683,788	1,113,934	11,491	14,040	1,188	1,824,441
Additions	1,080	11,138	1,218	2,726	37,887	54,049
Transfer	–	2,815	–	–	(2,815)	–
Disposals	(4,489)	(14,353)	(1,980)	(1,107)	–	(21,929)
At 31 December 2011	680,379	1,113,534	10,729	15,659	36,260	1,856,561
DEPRECIATION						
At 1 January 2010	53,573	246,621	2,266	5,361	–	307,821
Provided for the year	15,238	63,871	1,804	1,752	–	82,665
Eliminated on disposals	–	(79)	(109)	(558)	–	(746)
At 31 December 2010	68,811	310,413	3,961	6,555	–	389,740
Provided for the year	19,516	72,697	1,122	1,746	–	95,081
Eliminated on disposals	(1,481)	(7,731)	(1,456)	(944)	–	(11,612)
At 31 December 2011	86,846	375,379	3,627	7,357	–	473,209
CARRYING VALUES						
At 31 December 2011	593,533	738,155	7,102	8,302	36,260	1,383,352
At 31 December 2010	614,977	803,521	7,530	7,485	1,188	1,434,701

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated after residual value on a straight-line basis at the following rates per annum:

Buildings	2.5%-5%
Machinery	5.05-16.66%
Motor vehicles	10-20%
Office equipment	20%

The carrying value of machinery of RMB738,155,000 (2010: RMB803,521,000) includes an amount of RMB179,506,000 (2010: RMB221,397,000) in respect of assets held under finance lease.

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments located in the PRC comprises prepayment due as follows:

	2011 RMB'000	2010 RMB'000
Due within one year	**2,480**	2,383
Due after one year	**86,840**	65,710
	89,320	68,093

The carrying amount of prepaid lease payments consisted of long lease amounting to RMB7,059,000 (2010: RMB7,190,000) and medium-term lease amounting to RMB82,261,000 (2010: RMB60,903,000).

The prepaid lease payments are amortised over 20 to 70 years on a straight-line basis. As at 31 December 2011, the Group had fully paid consideration for land use rights, however, the Group has not yet obtained the title of the land use rights with an aggregate carrying amount of RMB26,450,000 (2010: nil) included in medium-term lease. The Group is in the process of obtaining the land use right certificate.

18. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**21,944**	31,917
Work in progress	**400,125**	220,594
Finished goods	**1,156,662**	1,068,611
	1,578,731	1,321,122

19. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	146,620	148,294
Less: allowance for doubtful debts	(5,107)	(5,278)
	141,513	143,016
Value added tax recoverable and other tax recoverables	210,679	149,657
Advances to suppliers	11,142	10,512
Others	21,327	9,393
	384,661	312,578

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Aged:		
0-90 days	141,513	142,804
91-180 days	–	212
	141,513	143,016

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,107,000 (2010: RMB5,278,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
1 January	5,278	5,386
Amounts written off as uncollectible	(171)	(108)
31 December	5,107	5,278

As at 31 December 2011, except for the debtors past due and fully impaired, the trade receivable balances of RMB141,513,000 (2010: RMB143,016,000) are neither past due nor impaired at the end of the reporting period since the customers are mostly the renowned international beverage manufacturer, therefore based on the past history, the collectability is expected.

As at 31 December 2011, the Group has trade and other receivables of USD21,118,000, equivalent to RMB133,063,000 (2010: USD7,389,000, equivalent to RMB48,933,000) which are denominated in foreign currency of the relevant group entities.

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2011, the pledged bank deposits of RMB25,169,000 (2010: RMB19,967,000) carried an average fixed interest rate of 3.1% (2010: 2.50%) per annum and bank balances of RMB157,303,000 (2010: RMB190,393,000) carried prevailing interest rate of 0.50% (2010: 0.36%) per annum.

The pledged bank deposits are used to secure the bills payable which is payable within three months to six months. Accordingly, the pledged bank deposits are classified as current assets.

As at 31 December 2011, the Group has bank balances and cash of USD7,842,000, equivalent to RMB49,414,000 (2010: USD1,099,000, equivalent to RMB7,281,000) which are denominated in foreign currency of the relevant group entities.

21. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2011	2010
	RMB'000	RMB'000
Trade payables	**1,310,624**	830,649
Payable for acquisition of property, plant and equipment	**5,758**	8,988
Advances from customers	**2,358**	3,630
Accrual salaries	**9,400**	8,487
Accrual interest	**3,735**	4,978
Other tax payable	**5,718**	3,636
Deferred income (note c)	**38,000**	57,000
Others	**23,252**	19,200
	1,398,845	936,568

As at 31 December 2011, the Group has trade and other payables of USD2,026,000 equivalent to RMB12,763,000 (2010: USD8,354,000, equivalent to RMB55,329,000) which are denominated in foreign currency of the relevant group entities.

(a) The Group is allowed a credit period ranged from 90 to 180 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	RMB'000
Aged:		
0-90 days	**1,198,532**	730,977
91-180 days	**107,819**	91,563
181-365 days	**1,600**	6,164
Over 1 year	**2,673**	1,945
	1,310,624	830,649

21. TRADE AND OTHER PAYABLES AND BILLS PAYABLES (Continued)

(b) The bills payables for both years are aged within 90 days based on the invoice date at the end of the reporting period.

(c) The balance represented the deferred income arisen from an exclusive distribution right, which the Group offers to a distributor in Japan for a term of three years (note 28).

22. BANK AND OTHER BORROWINGS

	2011	2010
	RMB'000	RMB'000
Bank loans	**956,585**	1,198,452
Borrowings from non-bank financial institution (note)	**37,805**	66,227
	994,390	1,264,679
Analysis:		
Secured	**519,027**	950,699
Unsecured	**475,363**	313,980
	994,390	1,264,679
Analysis:		
Fixed-rate borrowings	**563,576**	668,452
Variable-rate borrowings	**430,814**	596,227
	994,390	1,264,679

	2011	2010
	RMB'000	RMB'000
Carrying amount repayable:*		
Within one year	**956,585**	668,452
More than one year but not exceeding two years	**–**	470,000
More than two years but not more than three years	**–**	60,000
	956,585	1,198,452
Carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**37,805**	66,227
	994,390	1,264,679
Less: Amounts due within one year shown under current liabilities	**(994,390)**	(734,679)
Amounts due after one year shown under non-current liabilities	**–**	530,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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For the year ended 31 December 2011

22. BANK AND OTHER BORROWINGS (Continued)

Note: The borrowings were provided by an independent European financial institution ("EFI") and the whole amounts will be repayable by 3 instalments from March 2012 to March 2013 (2010: repayable by 5 instalments from March 2011 to March 2013).

During the year ended 31 December 2011 and 2010, the Group could not satisfy certain conditions of the loan agreement with EFI. The Group was unable to obtain letter from EFI to maintain the original term of borrowings and therefore RMB37,805,000 (2010: RMB66,227,000) of the borrowings were classified as current liabilities that are repayable on demand as at 31 December 2011 and 2010.

In addition, the above borrowings was secured by the 67.64% equity interest of Qingdao Haisheng, a non-wholly owned subsidiary, which is held by another non-wholly owned subsidiary of the Company.

The interest rate for the variable-rate borrowings is based on LIBOR/PBCBLR plus a margin for both years.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	**3.12% to 5.20%**	1.33% to 5.81%
Variable-rate borrowings	**3.52% to 7.09%**	5.04% to 6.90%

As at 31 December 2011, the Group has borrowings of USD40,000,000, equivalent to RMB252,036,000 (2010: USD47,606,000, equivalent to RMB315,145,000) which are denominated in foreign currency of the relevant group entities.

23. OBLIGATION UNDER FINANCE LEASE

	2011 RMB'000	2010 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**28,379**	27,232
Non-current liabilities	**79,050**	106,636
	107,429	133,868

In July 2010, the Group entered into a finance lease agreement pursuant to which the Group sold its machineries amounting to RMB221,397,000 to an independent third party and leased back the machineries with a lease period of 5 years. In addition, the ownership of leased assets will be transferred to the Group at a purchase option of RMB10,000 upon the settlement of the payable under the finance lease arrangement and the interest accrued under the lease arrangement. Interest rate underlying the obligation under finance lease is fixed at respective contract dates by 6.49% (2010: 5.41%) per annum.

23. OBLIGATION UNDER FINANCE LEASE (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance lease				
Within one year	**35,256**	34,445	**28,379**	27,232
In more than one year but not more than two years	**35,256**	34,445	**30,265**	28,736
In more than two years but not more than five years	**52,811**	85,175	**48,785**	77,900
	123,323	154,065	**107,429**	133,868
Less: future finance charges	**(15,894)**	(20,197)	**–**	–
Present value of lease obligation	**107,429**	133,868	**107,429**	133,868
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(28,379)**	(27,232)
Amount due for settlement after 12 months			**79,050**	106,636

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

24. SHARE CAPITAL

The Company	**Number of shares**	**Amounts**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 2011	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2010	1,222,200,000	12,222,000
Issued as consideration for the acquisition of subsidiaries (note)	37,800,000	378,000
At 31 December 2010 and 2011	1,260,000,000	12,600,000

24. SHARE CAPITAL (Continued)

	2011 RMB'000	2010 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,039**	13,039

Note: In relation to the acquisition of subsidiaries engaging in the manufacturing and processing juice concentrates in the PRC, pursuant to the sale and purchase agreement, the Company issued 37,800,000 shares at market price as a part of consideration. Details of these are set out in note 28.

25. SHARE-BASED PAYMENT TRANSACTIONS

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 of directors of the Company, at their discretion, may grant options to:

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

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

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

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

(iv) 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 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 shares 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 or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. The exercise price is determined by the directors of the Company, and must be at least the higher 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 shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2011:

Date of grant	Vesting period	Exercise price	Exercisable period	Outstanding at 1.1.2011	Granted during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2011
		HK$						
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	–	12,550,000	(750,000)	–	11,800,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	–	12,550,000	(750,000)	–	11,800,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	14,686,000	–	–	(2,224,000)	12,462,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	6,270,000	–	–	(1,252,000)	5,018,000
				20,956,000	25,100,000	(1,500,000)	(3,476,000)	41,080,000
Exercisable at 31 December 2011								17,480,000

The estimated fair value of the share options granted on 4 July 2011 is HK$0.34 (equivalent to RMB0.283).

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	4 July 2011
Closing share price at the date of grant	HK$0.99
Exercise price	HK$0.99
Annual risk-free rate	0.73%
Expected volatility	58%
Expected life	3 years
Expected dividend yield	2.4%

Expected volatility was determined by using the historical volatility of the Company's share price over few years immediately preceding the date of grant for the two tranches of the options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB4,923,000 (2010: RMB500,000) for the year ended 31 December 2011 in relation to share options granted by the Company.

25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2010:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2010	Lapsed during the year	Outstanding at 31.12.2010
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	15,718,000	(1,032,000)	14,686,000
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	(1,032,000)	20,956,000
Exercisable at 31 December 2010						20,956,000

26. RESERVES

Statutory surplus reserve

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

Special reserve

The special reserve represents the aggregate amount of the share capital and share premium of the subsidiaries which were acquired by the Company at the date of the group reorganisation less the consideration payable to the then shareholders.

Other reserve

In June 2011, the Group acquired the remaining 30% equity interest of one of its subsidiaries from the non-controlling interest at an aggregate consideration of RMB13,952,000. The excess of the fair value of the consideration paid over the carrying amount of the net assets acquired has been debited directly to equity.

27. DEFERRED TAXATION

	Fair value adjustment at acquisition RMB'000	Temporary differences arising from withholding tax RMB'000	Total RMB'000
At 1 January 2010	–	6,149	6,149
Arising from acquisition of subsidiaries (note 28)	4,000	–	4,000
Charge for the year	–	2,520	2,520
Reversed during the year	–	(2,739)	(2,739)
At 31 December 2010	4,000	5,930	9,930
(Credit) charge for the year	(555)	4,425	3,870
At 31 December 2011	3,445	10,355	13,800

At 31 December 2011, the Group has unutilised tax losses of RMB316,823,000 (2010: RMB275,951,000) available to set off against future assessable profit. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

During the year ended 31 December 2011, the Group has deductible temporary differences arising from allowance for inventories of RMB112,000 (2010: RMB824,000) and direct write-off of inventories of RMB736,000 (2010: nil). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which deductible temporary differences can be utilised.

Under the EIT Law of PRC, a 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. For the year ended 31 December 2011, deferred taxation liability of RMB4,425,000 (2010: RMB2,520,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

For the year ended 31 December 2010, a PRC subsidiary paid out dividend to overseas holding companies and the corresponding deferred taxation liability of RMB2,739,000 previously provided for undistributed earnings was reversed in 2010.

In addition, there was no other material unprovided deferred tax for the year or at the end of the reporting period.

28. ACQUISITION OF SUBSIDIARIES

On 9 April 2010, the Group entered into a sale and purchase agreement with Itochu Corporation ("Vendor"), an independent third party to acquire the entire equity interest in Yitian Shaanxi and 萊陽伊天果汁有限公司 translated as Laiyang Yi-Tian Juice Co., Ltd. ("Laiyang Yi-Tian") at a total consideration of RMB26,500,000 to be satisfied in cash plus 37,800,000 consideration shares to be issued and allotted of shares of the Company at market price (equivalent to RMB43,217,000). In addition, incidental to the acquisition, 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 the Vendor as its sole and exclusive distributor for the marketing, sale and distribution of certain juice products in Japan for a term of three years. The fair value of the agreement of RMB57,000,000 is considered as part of the consideration transferred to the Vendor.

Yitian Shaanxi and Laiyang Yi-Tian are limited liability companies established in the PRC. Both Yitian Shaanxi and Laiyang Yi-Tian are principally engaged in the manufacturing, processing and sales of juice concentrates in the PRC. Laiyang Yi-Tian has established a branch company in Dalian of the PRC. Yitian Shaanxi and Laiyang Yi-Tian were acquired so as to continue the expansion of the Group's manufacture and sale of fruit juice concentrate.

On 25 October 2010, the Group fully acquired the issued share capital of Yitian Shaanxi and Laiyang Yi-Tian for consideration of RMB126,717,000. This acquisition has been accounted for using the purchase method. The amount of discount on acquisition arising as a result of the acquisition was RMB62,637,000.

Consideration transferred

	RMB'000
Cash	26,500
Equity instruments issued	43,217
Deferred income	57,000
Total	126,717

As part of the consideration of the acquisition of Yitian Shaanxi and Laiyang Yi-Tian, 37,800,000 ordinary share of the Company were issued. The fair value of the ordinary shares of the Company, determined using the market price, amounted to RMB43,217,000.

Insignificant acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in 2010, within the administrative expenses in the consolidation statement of comprehensive income.

28. ACQUISITION OF SUBSIDIARIES (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	161,481
Prepaid lease payment	15,390
Inventories	152,968
Trade and other receivables	22,095
Bank balances and cash	53,320
Trade and other payable	(211,900)
Deferred tax liabilities	(4,000)
	189,354

The fair value of trade and other receivables at the date of acquisition amounted to RMB22,095,000, which was also the gross contractual amounts of those trade and other receivables. In the opinion of the directors of the Company, the best estimate at the acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Discount on acquisition:

	RMB'000
Consideration transferred	126,717
Less: net assets acquired	(189,354)
Discount on acquisition	(62,637)

None of the discount on acquisition arising on these acquisitions is expected to be taxable for tax purposes.

Net cash inflow on acquisition of Yitian Shaanxi and Laiyang Yi-Tian:

	RMB'000
Cash and cash equivalent balances acquired	53,320
Less: cash consideration paid	(26,500)
	26,820

Since the completion of acquisition of subsidiaries, Yitian Shaanxi and Laiyang Yi-Tian have contributed approximately RMB28,183,000 and approximately RMB16,712,000 to the Group's turnover and loss respectively for the period from the date of acquisition to 31 December 2010.

The directors of the Company, after reassessment, consider that the discount on acquisition of business is due to the fact that the Vendor intended to re-engineer its investment strategy in the industry of manufacture of the apple juice as Yitian Shaanxi and Laiyang Yi-Tian were making loss in the recent years, and as a result, the cost of acquisition is favourable compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of the Group. The discount on acquisition was approximately RMB62,637,000. The Group is able to assist the acquired subsidiaries in achieving an uplift of the effectiveness of operation. In the opinion of the directors of the Company, this is the key factor leading to the recognition of the discount on acquisition.

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29. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2011 RMB'000	2010 RMB'000
Premises	**1,141**	269

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**462**	1,141
In the second to fifth year inclusive	**1,388**	2,188
	1,850	3,329

Operating lease payments represent rentals payable by the Group for its warehouses and office premises. Lease terms are ranged from one to five years with fixed rental.

30. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– the acquisition of property, plant and equipment	**38,714**	4,482
Capital expenditure authorised but not provided in the consolidated financial statements in respect of:		
– the acquisition of land use right	**–**	12,842

31. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets for security of the Group's borrowings and obligation under finance lease:

	2011 RMB'000	2010 RMB'000
Property, plant and equipment	**649,107**	466,717
Prepaid lease payments	**34,035**	30,985
Pledged bank deposits	**25,169**	19,967
Inventories	**176,815**	334,201
	885,126	851,870

31. PLEDGE OF ASSETS (Continued)

In addition, the Group's equity interests in certain subsidiaries have been pledged to secure bank and other borrowings (see note 22 for details).

As at 31 December 2010, bank borrowings of approximately RMB55 million was guaranteed by the ex-director of the Company, Mr. Liang Yi which was released during the year.

32. RELATED PARTY DISCLOSURES

(a) Except for the balance of dividend payable to the non-controlling interests of a subsidiary, who include one director of the Company, one director of that subsidiary and a company held by a director of the Company, disclosed in the consolidated statement of financial position of the Group and the personal guarantee provided by Mr. Liang Yi as set out in note 31 above, in the opinion of the directors, there are no other material balance and transactions with the related parties of the Group.

(b) Compensation of key management personnel

Other than the emoluments paid to directors of the Company as set out in note 13, who are considered as the key management of the Group, the Group did not have any other significant compensation to key management personnel.

33. RETIREMENT BENEFITS SCHEME

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

During the year, the retirement benefit scheme contributions amounted to RMB8,000,000 (2010: RMB5,719,000).

34. CONTINGENT LIABILITIES

As at 31 December 2011, 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 RMB709,428,000 (2010: RMB279,350,000). The said amount was fully utilised by the third parties. According to the financial guarantee contracts, the Group has legal right to offset the full guarantee amount against trade payables to its suppliers upon default by the suppliers. In the opinion of the directors, the fair value of the financial guarantee contracts at initial recognition is insignificant.

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35. SUBSIDIARIES

The particulars of the subsidiaries of the Company as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly		Indirectly		Principal activities
			2011	2010	**2011**	2010	
Wisdom Expect Investments Limited	The British Virgin Islands	Ordinary shares US$200	**100%**	100%	**–**	–	Investment holding
Shaanxi Haisheng [(1)]	The PRC	RMB185,780,000	**16.6%**	16.6%	**83.0%**	83.0%	Manufacture and sale of fruit juice concentrate
Dalian Haisheng [(1)]	The PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
Qingdao Haisheng [(1)]	The PRC	RMB275,000,000	**25.1%**	25.1%	**74.6%**	74.6%	Manufacture and sale of fruit juice concentrate
安徽碭山海升果業有限公司 translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co. Ltd [(1)]	The PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
海升片岡(大連)果業有限公司 translated as Haisheng Kataoka (Dalian) Juice Co., Ltd. [(2)]	The PRC	RMB56,000,000	**–**	–	**99.6%**	69.8%	Manufacture and sale of fruit juice concentrate
Qixia Haisheng [(1)]	The PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	The USA	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
Yitian Shaanxi [(3)]	The PRC	RMB143,174,014	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Laiyang Yi-Tian [(1)]	The PRC	RMB171,466,920	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate

Notes:

(1) Domestic enterprise established in the PRC.

(2) Sino-foreign owned enterprise established in the PRC.

(3) Wholly foreign owned enterprise established in the PRC.