



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

Stock Code : 359

Interim Report **2012**





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Corporate Information

Stock Code

359

Executive Directors:

Mr. Gao Liang (*Chairman*)

Ms. Liu Li (resigned on 12 June 2012)

Mr. Li Bing

Ms. Wang Xuemei

Mr. Zhang Xiang

(was appointed on 10 July 2012)

Independent non-executive directors:

Mr. Li Yuanrui

Mr. Zhao Boxiang

Mr. Lo Wai Tat Andrew

Company Secretary

Mr. Terence Sin Yuen Ko, FCCA

Authorised Representatives

Mr. Gao Liang

No. 3, Model A

Fengye Yuan, Yanta District

Xi'an, Shaanxi Province

The PRC

Mr. Terence Sin Yuen Ko, FCCA

11/F, Ka Wah Bank Centre

232 Des Voeux Road Central

Hong Kong

Audit Committee Members

Mr. Lo Wai Tat Andrew (*Chairman*)

Mr. Zhao Boxiang

Mr. Li Yuanrui

Remuneration Committee Members

Mr. Zhao Boxiang (*Chairman*)

Mr. Li Yuanrui

Mr. Lo Wai Tat Andrew

Registered Office

Cricknet Square

Hutchins Drive

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Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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232 Des Voeux Road Central

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Website Address

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Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street, P.O. Box 705

George Town, Grand Cayman

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor

Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Principal Bankers

Agriculture Bank of China

The Export-Import Bank of China



HIGHLIGHTS

- For the six months ended 30 June 2012, the Group's unaudited turnover decreased from approximately RMB1,143.7 million to approximately RMB792.3 million, representing a decrease of approximately 30.7% over the same period of last year.
- For the six months ended 30 June 2012, the Group's unaudited profit attributable to Owners of the Company decreased from approximately RMB148.2 million to approximately RMB2.1 million, representing a decrease of approximately 98.6% over the same period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).



Management Discussion and Analysis

Review of results

The Board announces that, for the six months ended 30 June 2012, the Group recorded an unaudited turnover of approximately RMB792.3 million, representing a decrease of approximately 30.7% over the same period of last year. Gross profit margin for the six months ended 30 June 2012 was approximately 14.6%, as compared with 27.8% for the same period of last year. The Group has attained an unaudited profit attributable to Owners of the Company of approximately RMB2.1 million for the period under review, representing a decrease of approximately 98.6% over the same period of last year.

For the period under review, turnover decreased by approximately 30.7% to approximately RMB792.3 million. Such decrease was mainly attributable to the decrease in sales volume of apple juice concentrate of the Group, results from the drop in the demand in the international market.

For the period under review, the gross profit margin of the Group decreased from approximately 27.8% to approximately 14.6% which was attributable to the increase in purchasing cost of apple, the major raw material of the Group.

Distribution costs decreased by approximately 54.5% to approximately RMB39.3 million during the period under review. Such decrease was mainly attributable to the decrease in sales volume of the Group.

Administrative expenses increased by approximately 6.5% to approximately RMB46.7 million during the period under review. The increase in administrative expenses was mainly attributable to the increase in staff cost.

Finance cost of the Group amounted to approximately RMB40.4 million in the period under review, representing an increase of approximately 7.2% over the same period of last year. The increase is attributable to the increase in total borrowings.

As a result of the foregoing, the Group's unaudited profit attributable to Owners of the Company decreased by 98.6% to approximately RMB2.1 million.



Liquidity, financial resources, gearing and capital commitments

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 30 June 2012, the Group's borrowings amounted to approximately RMB1,482.5 million (as at 31 December 2011: RMB994.4 million), among which, approximately RMB1,265.5 million (as at 31 December 2011: RMB994.4 million) were repayable within one year and approximately RMB217.0 million (as at 31 December 2011: Nil) become due more than one year. Approximately RMB686.3 million (as at 31 December 2011: RMB519.0 million) were secured by way of charge on the Group's assets. Approximately RMB284.0 million were denominated in US dollars while approximately RMB1,198.5 million were denominated in RMB.

As at 30 June 2012, the cash and bank balances including pledged bank deposits amounted to approximately RMB203.3 million (as at 31 December 2011: RMB182.6 million).

The gearing ratio, defined as total liabilities divided by total assets, was decreased from approximately 69.6% as at 31 December 2011 to approximately 63.0% as at 30 June 2012 and debt to equity ratio, defined as total borrowings divided by total equity, increased from 1.0 as at 31 December 2011 to approximately 1.3 as at 30 June 2012.

As of 30 June 2012, the Group has approximately RMB46.4 million capital commitments (as at 31 December 2011: RMB38.7 million) and has no significant contingent liabilities.

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

Management Discussion and Analysis

Pledge of assets

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Property, plant and equipment	1,123,356	649,107
Prepaid lease payments	175,601	34,035
Pledged bank deposits	29,552	25,169
Inventories	384,110	176,815
	1,712,619	885,126

In addition, borrowing in the amounts of approximately RMB25.3 million (31 December 2011: RMB37.8 million) provided by an independent European financial institution was secured by the 67.64% equity interest of Qingdao Haisheng Fresh Fruit Juice Co., Ltd., a non-wholly owned subsidiary which is held by another non-wholly owned subsidiary of the Group.

Business review

The Market

Though there was a global economic slowdown this year, the average export price of apple juice concentrate in China recorded a growth of almost 22% despite the downturn as compared between first half of 2012 and 2011. The demand in domestic market further increased while pear juice supply fell short of demand.

The selling price of apple juice of the Group in the first half of 2012 followed the major trend in China with a growth of different degree. From the perspective of sale volume, the sale performance of market in Asia, Pacific and Japan was robust. The market share in the market in Australia and New Zealand accounted for 28% of China exports to the two countries. The performance of market in Africa was far ahead of the others, the sale volume accounted for 63% of China exports to such regions. The market in the Middle East was developed successfully, accounting for 36% of the volume of China export to such regions over the same period. There was a steady growth in the market in Japan as compared with the corresponding period of last year, the market share accounted for 26% of China exports to such regions and continued with its remarkable momentum as the second.



With the expansion in domestic market, the market shares in both apple juice and pear juice were in a leading position among the peers and we become the main supplier of small items for various renowned fruit juice companies in China. Categories of small products continued to increase and the products were supplied to the customers successfully with incredible market response. All these laid a strong foundation for the Company to further develop the domestic market.

R&D

The year of 2012 was an extraordinary year for Haisheng research and development center (R&D center). The whole R&D center was united as one and fully utilized the resources to carry out different tasks in full swing. The R&D center has completed the research and development of various small products. Currently, most of the samples were recognized by the customers and the market development is still in progress.

In respect of the development of base clients, a deep-level communication has been conducted with a number of well-known food enterprises in order to understand their real need in base and provide them with a full range of solutions. Among which, part of the products achieved sale successfully.

Purchasing

The purchasing system of the Group continued to advance with the innovation in the logistics receiving system, reduce the losses in fruit trough and save the labour cost. Besides, the management advantage can be enhanced to a certain extent, the risk of product quality can be lowered. Comprehensive mechanization was achieved for the sake easy control of pipes.

Production

During the year under review, the Group continued to strengthen the management and improvement of the quality system to ensure product quality and safety. With the price of apple juice remained high and the exuberant demand in the market of pear juice products, the Company expanded the production of pear juice decisively, so that we are currently at the dominant position in the domestic market of concentrated pear juice with the profitability being expanded. For the technological innovation during the suspension period, The Group insisted to move ahead of the environmental protection policy in China, expanded the investment in the proposal of technological innovation of environmental protection. We perform our commitment in social responsibility while creating economic benefits.

Human resources

The total number of staff of the Group as at 30 June 2012 was 1,626. (30 June 2011:1,615 staff)



Management Discussion and Analysis

Prospect

The Market

Looking forward, it is anticipated that the production volume of apple juice and pear juice in China will grow steadily. The Group will continue to make an effort in enhancing the market share, turning the newly developed markets into mature markets and exploring the room for development. Meanwhile, the Group will put improvement of customers' satisfaction as our first priority, continue with development of new customers, enlarge the sale base of traditional products and strengthen the pipeline construction and efforts in sale of new products, so that the business of the Group will be greatly enhanced and developed healthily.

R&D

The R&D building in the headquarter will be put into use, which will be a milestone event for Haisheng R&D. In the new grinding season, the small pilot lines will be put into use comprehensively which can provide the customers with the samples needed conveniently and different technical test can be conducted. The R&D of Haisheng will become market-oriented and put more efforts to continue with the development of multi-varieties fruit and vegetable juice products to meet the need of the market and realized more profits for the Company.

The equipments in the headquarter inspection centre are advanced and complete and the powerful R&D strength in the development of inspection methods. This will not only fulfill the Haisheng's requirement for inspection methods on new products in the future, but also provide instruction and training for the factory technically which give a stronger guarantee in future quality control of Haisheng's products. The inspection center will strengthen the inspection ability, and establish the third party inspection center, cost incurred by external inspection can be avoided accordingly. Most importantly, the Company can undertake inspection businesses externally and brought profit for inspection center.

Production and Purchasing

In the coming year, the Group will continue to reform, improve and innovate the management of supply chain, the Group will continue to make an effort in advancing the construction of raw material pipelines, innovate the logistics receiving system and build a core and competitive acquisition network in order to achieve standardization, mechanization and informationization of logistics system. At the same time, we will continue to accelerate the speed of base construction. The Group will further improve the purchasing system, enhance the purchasing efficiency, lower the cost, enhance the in-depth cooperation with supplier, establish long-term strategic cooperation relationship, reinforce the new product development and enhance the product use efficiency and quality. Looking forward in the new grinding season, the acquisition mode has become mature. The package of rigid texture that was newly launched will greatly enhance the quality of raw fruit.



Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	459,061,238 Shares (Note 1)	36.43%
Ms. Wang Xuemei	The Company	Beneficial owner	5,019,080 Shares (Note 2)	0.40%
Mr. Li Bing	The Company	Beneficial owner	800,000 Shares (Note 3)	0.06%
Mr. Zhang Xiang (appointed on 10 July 2012)	The Company	Beneficial owner	1,300,000 Shares (Note 3)	0.10%

Notes:

- As at 30 June 2012, 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.

Directors' Report

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

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Person's Interests in Shares and Underlying Shares

As at 30 June 2012, 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 <i>(Note 1)</i>	36.43%
Goldman Sachs & Co.	The Company	Interest of controlled corporation	232,344,000 Shares <i>(Note 2)</i>	18.44%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	232,344,000 Shares <i>(Note 2)</i>	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.

So far as is known to the Directors or chief executive of the Company, none of the companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 30 June 2012.

Corporate Governance Practices

During the first three-month period, from January 1 to March 31, 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). 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.

During the remaining three-month period, from April 1 to June 30, 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of three deviations, namely, (i) the First Deviation (with details etc. as mentioned above); (ii) code provision A.6.7 (the "Second Deviation") providing for Independent Non-executive Directors ("INED(s)") of the Company to, inter alia, attend general meetings and (iii) code provision E.1.2 (the "Third Deviation") providing for the chairman of the Board (the "Chairman") to attend the annual general meeting. Regarding the Second Deviation and the Third Deviation, the Chairman and two INEDs were absent from the last Annual General Meeting of the Company held in May 2012 due to their other important engagement at the relevant time.



Directors' Report

Share Option Scheme

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

- (i) any eligible employees, including executive, non-executive and independent non-executive directors and consultants or advisors of or to the Company or its subsidiaries or any entity in which the Group holds any equity interest ("Invested Entity");
- (ii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iii) any customer of the Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group and any Invested Entity.

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



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

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

Date of grant	Vesting period	Exercise price HK\$	Exercisable period	Outstanding at 1.1.2012	Granted during the period	Forfeited during the period	Lapsed during the period	Outstanding at 30.6.2012
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	11,800,000	-	-	500,000	11,300,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	11,800,000	-	500,000	-	11,300,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	12,462,000	-	-	144,000	12,318,000
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	5,018,000	-	-	-	5,018,000
				41,080,000	-	500,000	644,000	39,936,000
Exercisable at 30 June 2012								28,636,000

Directors' Interests in a 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.

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 six months ended 30 June 2012.



Directors' Report

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review period.

Review of Results

The unaudited interim results for the six months ended 30 June 2012 was reviewed by the audit committee of the Company.

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

Xi'an, the PRC, 23 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012



	NOTES	(Unaudited)	
		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Revenue	4	792,297	1,143,721
Cost of sales		(676,453)	(825,261)
Gross profit		115,844	318,460
Other income		13,768	6,258
Other gain and loss		(59)	(3,297)
Distribution and selling expenses		(39,285)	(86,416)
Administrative expenses		(46,729)	(43,870)
Other operating expenses		(602)	(148)
Finance costs		(40,365)	(37,651)
Profit before taxation		2,572	153,336
Income tax expense	5	(469)	(4,382)
Profit for the period	6	2,103	148,954
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		23	362
Other comprehensive income (expense) for the period		23	362
Total comprehensive income for the period		2,126	149,316
Profit for the period attributable to:			
Owners of the Company		2,080	148,178
Minority interests		23	776
		2,103	148,954



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

		(Unaudited)	
		Six months ended 30 June	
		2012	2011
	NOTES	RMB'000	RMB'000
<hr/>			
Total comprehensive income attributable to:			
Owners of the Company		2,103	148,540
Minority interests		23	776
		<hr/>	<hr/>
		2,126	149,316
		<hr/>	<hr/>
Dividends	7	-	-
		<hr/>	<hr/>
Basic earnings per share (RMB cents)	8	0.2 cents	11.8 cents
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

		30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,374,243	1,383,352
Prepaid lease payments		86,325	86,840
		1,460,568	1,470,192
CURRENT ASSETS			
Inventories	10	935,118	1,578,731
Trade and other receivables	11	380,611	384,661
Prepaid lease payments		2,480	2,480
Tax recoverables		2,935	241
Pledged bank deposits		29,552	25,169
Bank balances and cash		173,751	157,463
		1,524,447	2,148,745
CURRENT LIABILITIES			
Trade and other payables	12	291,189	1,398,845
Bills payables		–	3,647
Dividend payable to non-controlling interests of a subsidiary		63	63
Bank and other borrowings – due within one year		1,265,538	994,390
Obligation under finance lease		29,447	28,379
		1,586,237	2,425,324
NET CURRENT LIABILITIES		(61,790)	(276,579)
		1,398,778	1,193,613

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
	NOTES	
CAPITAL AND RESERVES		
Share capital	13,039	13,039
Reserves	1,088,862	1,085,213
Equity attributable to Owners of the Company	1,101,901	1,098,252
Non-controlling interests	2,534	2,511
Total equity	1,104,435	1,100,763
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	217,000	–
Obligation under finance lease	63,395	79,050
Deferred tax liability	13,948	13,800
	294,343	92,850
	1,398,778	1,193,613

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Accumulated profits RMB'000	Other reserve RMB'000	Attributable to Owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2011 (audited)	13,039	202,327	14,596	258,722	(622)	110,449	359,499	-	958,010	14,705	972,715
Profit for the period	-	-	-	-	-	-	148,178	-	148,178	776	148,954
Exchange differences arising on translation of foreign operations	-	-	-	-	362	-	-	-	362	-	362
Total comprehensive income for the period	-	-	-	-	362	-	148,178	-	148,540	776	149,316
Lapse of share option	-	-	(1,085)	-	-	-	1,085	-	-	-	-
Acquisition of non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(1,087)	(1,087)	(12,865)	(13,952)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(167)	(167)
Dividends recognised on distribution	-	-	-	-	-	-	(25,200)	-	(25,200)	-	(25,200)
At 30 June 2011 (unaudited)	13,039	202,327	13,511	258,722	(260)	110,449	483,562	(1,087)	1,080,263	2,449	1,082,712
At 1 January 2012 (audited)	13,039	202,327	17,389	258,722	(999)	131,208	477,653	(1,087)	1,098,252	2,511	1,100,763
Profit for the period	-	-	-	-	-	-	2,080	-	2,080	23	2,103
Exchange differences arising on translation of foreign operations	-	-	-	-	23	-	-	-	23	-	23
Total comprehensive income for the period	-	-	-	-	23	-	2,080	-	2,103	23	2,126
Recognition of equity-settled share based payments	-	-	1,546	-	-	-	-	-	1,546	-	1,546
Appropriated from accumulated profits	-	-	-	-	-	8,526	(8,526)	-	-	-	-
At 30 June 2012 (unaudited)	13,039	202,327	18,935	258,722	(976)	139,734	471,207	(1,087)	1,101,901	2,534	1,104,435



Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2012

	(Unaudited)	
	2012	2011
	RMB'000	RMB'000
Net cash inflow from/(used in) operating activities	(380,421)	198,759
Net cash used in investing activities		
Purchase of property, plant and equipment	(34,619)	(16,654)
Other investing activities	(3,896)	(25,932)
	(38,515)	(42,586)
Net cash inflow/(used in) from financing activities		
New bank and other borrowings raised	1,147,299	916,852
Repayment of bank and other borrowings	(673,738)	(1,091,467)
Other financing activities	(38,337)	(62,984)
	435,224	(237,599)
Increase (decrease) in cash and cash equivalents	16,288	(81,426)
Cash and cash equivalents at 1 January	157,463	190,570
Cash and cash equivalents at 30 June, representing bank balances and cash	173,751	109,144



1. General information

China Haisheng Juice Holdings Co., Ltd. (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section “Corporate Information” in the interim report.

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

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

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”) and with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”.

These unaudited condensed consolidated interim financial statements of the Group should be read in conjunction with the 2011 annual accounts.

3. Principal accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2011, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning 1 January 2012. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

4. Revenue and segment information

The board of directors regularly reviews revenue by locations of customers including North America, Russia, Europe, Australia, Asia, Africa and others and the consolidated statements of comprehensive income to make decision about resources allocations. Profit for the period 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 91.0% (2011: 91.2%) of revenue are generated from apple juice concentrate and related products.

Geographic information

The Group's operations are located in 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	
	(Unaudited)		(Unaudited)	(Audited)
	Six months ended	30 June	30 June	31 December
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
North America	402,782	746,688	223	205
Europe and Russia	35,396	129,599	1,460,345	1,469,987
Asia	236,252	207,211	—	—
Australia	43,973	894	—	—
Africa and others	73,894	59,329	—	—
	792,297	1,143,721	1,460,568	1,470,192



5. Taxation

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax	321	3,324
– Other jurisdictions	–	–
	321	3,324
Deferred taxation	148	1,058
	469	4,382

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.

Under the Law of the People's Republic of China 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 the year of 2011 to 2020.

For the period under review, the subsidiaries of the Group, 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"), 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd. ("Qingdao Haisheng"), 大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng"), 伊天果汁(陝西)有限公司 translated as Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") 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

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from enterprise income tax rate for the period under review. 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 United State of America (“USA”) on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.

The EIT Law of the PRC requires withholding tax upon the distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their foreign shareholders.

6. Profit for the period

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	1,063	918
Other staff costs	27,162	25,362
Retirement benefits scheme contributions	7,038	5,599
Share based payments	—	—
Total staff costs	35,263	31,879
Release of prepaid lease payments included in administrative expenses	501	803
Depreciation of property, plant and equipment	46,464	47,296
Loss on disposal of property, plant and equipment	59	3,298
Cost of inventories recognised in the condensed consolidated income statement	676,453	825,261
Bank interest income	(323)	(376)



7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

8. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately RMB2,080,000 (2011: RMB148,178,000) and on 1,260,000,000 shares (2011: 1,260,000,000 shares) in issue.

No diluted earnings per share has been presented for the six months ended 30 June 2012 and 2011 as the exercise price of the Company's options was higher than the average market price per share.

9. Property, plant and equipment

During the period, the Group incurred approximately RMB37,564,000 on acquisition of property, plant and equipment.

10. Inventories

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Raw materials	21,733	21,944
Work in progress	160,263	400,125
Finished goods	753,122	1,156,662
	935,118	1,578,731

11. Trade and other receivables

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	149,455	146,620
Less: allowance for doubtful debts	(5,107)	(5,107)
	144,348	141,513
Value added tax and other tax receivable	88,907	210,679
Advances to suppliers	24,322	11,142
Others	123,034	21,327
	380,611	384,661

The Group allows credit period which ranged from 30 to 90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts at the reporting date, is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Aged:		
0-90 days	144,348	141,513
91-180 days	-	-
	144,348	141,513



12. Trade and other payables

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade payables	188,671	1,310,624
Payable for acquisition of property, plant and equipment	29,045	5,758
Advances from customers	2,866	2,358
Accrual salaries	9,015	9,400
Accrual interest	4,331	3,735
Other tax payable	3,046	5,718
Deferred income	28,500	38,000
Others	25,715	23,252
	291,189	1,398,845

The Group allows a credit period which ranged from 90 to 180 days from its suppliers. The aged analysis of trade payables is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Aged:		
0–90 days	105,852	1,198,532
91–180 days	34,221	107,819
181–365 days	46,889	1,600
Over 1 year	1,709	2,673
	188,671	1,310,624

13. Capital Commitments

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of – property, plant and equipment	46,372	38,714