天圜营养集团有限公司
Celestial NutriFoods Limited

A Healthy Harvest

Annual Report 2009

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Chairman's Statement

Dear Shareholders,

2009 was a challenging year for the Group as we sought to overcome challenges presented by the global economic crisis and resulting curtailed consumer spending in the PRC, which had a direct impact on the performance of the Group.

PERFORMANCE REVIEW

As a result of the difficult operating environment, the Group's revenue declined 27.6% from RMB2,301.5 million for the financial year ended 31 December 2008 ("FY2008") to RMB1,665.6 million for the financial year ended 31 December 2009 ("FY2009"). This is despite the additional maiden revenue contribution of RMB152.5 million by the new bio-diesel segment. Lower average soybean consumption material costs and stiffer competition had resulted in the Group reducing product selling prices for most product segments. All product segments also registered lower sales volumes.

Due to the significant change in sales mix and the relatively low gross profit margin of the new bio-diesel segment, the Group's overall gross margin decreased from 35.0% in FY2008 to 26.4% in FY2009. In view of the tough business environment, the Group implemented tight cost control measures, resulting in a 53.6% drop in administrative expenses to RMB35.7 million. This was mainly due to the reductions of employee benefits expenses which also included directors' remuneration.

As a result of the lower gross profit, loss on early redemption of convertible bonds and write-down of inventories, the Group recorded a net loss of RMB3.2 million in FY2009, compared to a net profit of RMB499.2 million in FY2008.

UPDATE ON CONVERTIBLE BONDS

The negative publicity relating to the early redemption of the S$235 million zero coupon convertible bonds (the "Bonds") by the bondholders and the suspension of trading of Celestial's shares on the Mainboard of the Singapore Exchange Securities Trading Limited had shaken the confidence of certain customers of the Group. The Group is reviewing strategic options to restructure the Bonds, including negotiating with the bondholders. Appropriate announcements will be made if and when a mutually satisfactory resolution has been made with the bondholders.

OUTLOOK

Going forward, we believe retail sentiment in the PRC has yet to recover and will continue to be challenging. Sales growth in the short-term is expected to be hesitant given the uncertainties ahead.

The Group had launched the commercial production and sale of our biodiesel, high protein nutrient beverages and high protein nutrient powder products in the third quarter of FY2009. The installation of the production facilities for our new products – high protein noodle and high protein pastry were also partially completed in the same quarter but we had deferred the production and launch in view of the unfavourable market conditions.

We are closely monitoring the market situation to ensure timely measures and responses that will go into sustaining our competitiveness in the industry on a long-term basis. The Group targets to complete the installation of our invested production facilities for two new products: soya candies and protein milk in FY2010 but will moderate the pace in scaling the commercial production of the new products in order to minimize risks.

On behalf of the Board of Directors, I would like to thank our shareholders who have extended their continued support through this difficult period. Also, my heartfelt appreciation goes to the Directors in appreciation of their expertise and invaluable counsel over the past year. Last but not least, I would like to thank our valued customers, business partners, management and staff at Celestial for their unwavering support. I look forward to continued support from each of you as we move forward into yet another year of challenges.

Mr. Ming Dequan
Executive Chairman & CEO
Celestial NutriFoods Limited

Corporate Information

BOARD OF DIRECTORS

Ming Dequan
Executive Chairman and Chief Executive Officer

Zhao Xianghua
Executive Director

Zhou Chuannong
Executive Director

Ma Wing Yun Bryan
Independent Director

Lai Seng Kwoon
Independent Director

Loo Choon Chiaw
Independent Director

AUDIT COMMITTEE

Lai Seng Kwoon
Chairman

Loo Choon Chiaw
Ma Wing Yun Bryan

REMUNERATION COMMITTEE

Loo Choon Chiaw
Chairman

Lai Seng Kwoon
Ma Wing Yun Bryan

NOMINATING COMMITTEE

Ma Wing Yun Bryan
Chairman

Lai Seng Kwoon
Loo Choon Chiaw

INVESTMENT COMMITTEE

Loo Choon Chiaw
Chairman

Lai Seng Kwoon
Ming Dequan

COMPANY SECRETARY

Tan Ping Ping

ASSISTANT COMPANY SECRETARY

Richard J Evans

AUTHORISED REPRESENTATIVES

Ming Dequan
Lai Seng Kwoon

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Fax: (86) 10 6557 5240
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CORPORATE LEGAL COUNSEL

Loo & Partners LLP
88 Amoy Street Level Three
Singapore 069907

BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11 Bermuda

SINGAPORE SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street, #11-00 PWC Building
Singapore 048424

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street #17-00 PWC Building
Singapore 048424
Audit partner-in-charge: Tan Boon Chok
Year of appointment: 2008

PRINCIPAL BANKERS

Agricultural Bank of China
Daqing City Commercial Bank
Bank of Communications
DBS Bank
Standard Chartered Bank

INVESTOR RELATIONS CONSULTANCY

Citigate Dewe Rogerson, i.MAGE Pte Ltd
Chia Hui Kheng / Holly Huang
Tel: (65) 6534 5122
Fax: (65) 6534 4171

Operations and Financial Review

FINANCIAL OVERVIEW

Revenue had decreased 27.6% from RMB2,301.5 million in FY2008 to RMB1,665.6 million in FY2009, due to adverse economic conditions in the PRC, a decline in average selling prices and a decrease in sales volume across all product segments.

During the year in review, the Group began the commercial production of its new bio-diesel products, adding revenue of RMB152.5 million to the Group's total turnover. As this segment is in the start-up phase, gross margin achieved was only 7.1% given a low utilisation rate of 63.3%.

The Group's total gross profit had decreased by 45.5% from RMB806.4 million in FY2008 to RMB439.2 million in FY2009 as a result of the 27.6% fall in revenue and the decline in overall gross profit margin of the Group. In line with the decline in average selling prices of major product segments, average soybean consumption costs also decreased by 20.7% from RMB4,194 per tonne to RMB3,327 per tonne in FY2009. Due to the significant change in sales mix and the low gross margin of the new bio-diesel segment, overall gross profit margin in FY2009 had decreased to 26.4% as compared to 35.0% in FY2008.

The Group had decreased the selling prices for most product segments due to weak consumer demand, with price reductions for industrial proteins and soybean oil most pronounced as a result of market forces. Cuts to selling prices of health food and beverages were also significant due to the decrease in average soybean consumption costs in FY2009.

The Group recorded a net loss of RMB3.2 million in FY2009 as opposed to a net profit of RMB499.2 million in FY2008, due in part to a decreased gross profit as sales volume and average selling prices for most product segments declined more so than that of average soybean consumption costs. Non-operating and non-recurring items pertaining to the loss on early redemption of the Group's zero coupon convertible bonds and write-down of inventories further contributed to the loss in the current financial year.

During the year, the Group recorded an unrealised exchange loss of RMB33.0 million (FY2008: gain of RMB77.3 million).

SEGMENTAL REVIEW

Health Food and Beverage Business

The global economic crisis had curtailed consumer spending in the PRC and adversely affected the performance of the health food and beverage business segment. In addition, customer confidence in the Group was partially shaken by the negative publicity surrounding the early redemption of its convertible bonds. Consequently, the Group suffered from substantial returns of its health food and beverage products from distributors, which amounted to RMB198.6 million that had to be written down due to the highly perishable nature of the products.

As a percentage of total revenue, its segmental contribution dropped from 50.4% in FY2008 to 42.4% in FY2009 due in part to the addition of new bio-diesel products to the sales mix. Health food and beverage revenue decreased 39.2% from RMB1,160.9 million in FY2008 to RMB706.0 million in FY2009 as a result of lower average selling prices and sales volume. Gross margin for the segment slipped from 45.7% in FY2008 to 43.3% in FY2009 as a result of lower utilisation rates for the newly launched products in the health food and beverage segment.

Industrial Proteins Business

Revenue for the industrial proteins segment – comprising soy protein isolate ("SPI") and soy functional protein ("SFP") – declined in FY2009. SPI and SFP registered a 24.3% and 29.7% decrease to RMB275.9 million and RMB78.6 million respectively. Compared to FY2008, SPI and SFP recorded a decrease in sales volume

of 9.0% and 7.2% respectively. Average selling prices for both proteins also dropped significantly by 16.8% and 24.2%. Despite savings from lower average soybean consumption costs, gross profit margins for SPI and SFP registered 10.9% and 11.2%, as opposed to 16.0% and 24.5% in FY2008.

Other Businesses

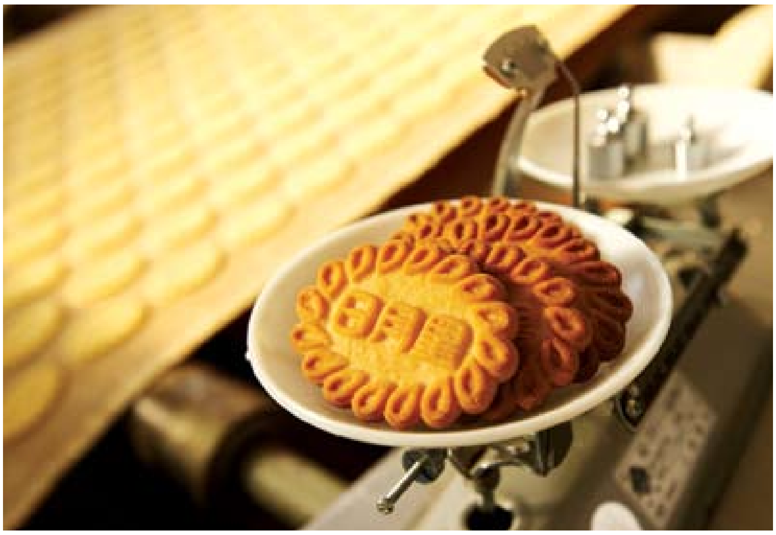
Revenue for biochemical feedstuff registered RMB173.4 million in FY2009, down from RMB184.7 million in FY2008. Revenue for lecithin also decreased from RMB80.5 million to RMB65.5 million in FY2009. The average sales volume of biochemical feedstuff and lecithin had fallen by 13.2% when compared to FY2008. However, the two businesses' revenue contribution improved from 11.5% in FY2008 to 14.3% in FY2009. This is largely attributable to the improvements registered in the average selling prices in FY2009 and the relative contraction of the other matured product segments.

Soybean oil, a by-product of the Group's production process, recorded a 46.5% decline in revenue to RMB213.6 million in FY2009. During the year under review, the gross margin declined from 25.9% to 2.8% as a result of the fall in the market price of soybean oil and lower utilisation rate. Despite raw material cost decreasing by 20.7%, the average selling price of soybean oil declined by a higher 33.4%. Utilisation rate for the soybean oil segment in FY2009 was only 77.9% as compared to 99.3% in FY2008.

	Year ended 31/12/2009		Year ended 31/12/2008	
	RMB'000	Composition	RMB'000	Composition
Revenue by Products				
Health Food and Beverages	706,009	42.4%	1,160,930	50.4%
Soy Protein Isolate	275,891	16.6%	364,370	15.8%
Soy Functional Protein	78,577	4.8%	111,770	4.9%
Biochemical Feedstuff	173,440	10.4%	184,748	8.0%
Lecithin	65,511	3.9%	80,498	3.5%
Soybean Oil	213,611	12.8%	399,194	17.4%
Bio-diesel	152,540	9.1%	-	-
Total Revenue	1,665,580	100.0%	2,301,510	100.0%

Gross Profit Margin by Products	FY2009	FY2008
Health Food and Beverages	43.3%	45.7%
Soy Protein Isolate	10.9%	16.0%
Soy Functional Protein	11.2%	24.5%
Biochemical Feedstuff	26.6%	24.3%
Lecithin	48.0%	51.6%
Soybean Oil	2.8%	25.9%
Bio-diesel	7.1%	-
Overall Gross Profit Margin	26.4%	35.0%

Percentage increase/(decrease) FY2009 vs FY2008 by Products	Sales volume (%)	Average selling price (%)
Health Food and Beverages	(28.3)	(15.2)
Soy Protein Isolate	(9.0)	(16.8)
Soy Functional Protein	(7.2)	(24.2)
Biochemical Feedstuff	(13.0)	7.9
Lecithin	(21.9)	4.3
Soybean Oil	(19.6)	(33.4)



OTHER FINANCIAL RESULTS

Other income had fallen by 61.1% from RMB16.8 million in FY2008 to RMB6.5 million in FY2009, mainly attributable to the RMB9.0 million decrease in interest income as a result of the lower bank balances of the Group. Other income for FY2008 also included dividend income from money market investments of RMB1.7 million (FY2009: Nil).

Other gains - net in FY2009 included a RMB3.4 million gain which resulted from the de-recognition of the derivative financial instrument (FY2008 gain from the revaluation of the derivative instrument: RMB13.4 million), net operating exchange gain of RMB1.0 million (FY2008 exchange loss: RMB9.5 million) and loss on disposal of property, plant and equipment of less than RMB0.1 million (FY2008: RMB0.5 million). The early redemption of the convertible bonds in June 2009 ended the Group's exposure to the revaluation of derivative financial instrument embedded in the convertible bonds in the second half of FY2009.

Distribution expenses, comprising mainly advertising and promotion expenses, freight and other distribution-related expenses, decreased 5.9% from RMB149.5 million in FY2008 to RMB140.7 million in FY2009. This decrease was mainly attributable to lower freight in line with the fall in revenue of the Group for the current year and the cut back in advertising expenditure.

Administrative expenses also decreased in FY2009 by as much as 53.6% as a result of effective cost management controls in the area of employee benefits expenses which also included directors' remuneration, chiefly through implementing cost reductions.

Other expenses totaling RMB113.4 million comprised of debt restructuring expenses of RMB1.5 million and the write-down of inventories amounting to RMB112.0 million.

Finance expenses for FY2009 represent the amortization of interest and bond expenses on the zero coupon convertible bonds which amount to RMB36.0 million (FY2008: RMB82.1 million), loss on early redemption of the convertible bonds of RMB39.3 million (FY2008: Nil), default interest expense of RMB46.0 million on liabilities owed to convertible bondholders (FY2008: Nil) and RMB33.1 million on the unrealized translation loss arising from the convertible bonds (FY2008: unrealized translation gain: RMB77.3 million). RMB4.0 million interest expense on new short-term loans taken up by the Group made up the remainder of finance expenses.

In FY2009, the Group's key operating subsidiaries were subject to income tax at a concessionary rate of 12.5%, which represents a 50% exemption on the prevailing corporate tax rate of 25%.

FINANCIAL POSITION AND CASH FLOWS

The decline in gross profit and increase in trade receivables were largely responsible for the net cash outflow of RMB56.2 million from operating activities. Net cash of RMB593.9 million was used in investing activities – in the investment of production facilities and technology for its new products. Taking into account cash outflows from both operating and investing activities, and RMB200.0 million provided by financing activities relating to new short-term bank loans, the Group recorded a net decrease in cash and cash equivalents of RMB450.1 million in FY2009 as compared to RMB835.8 million in FY2008. Consequently, its cash and cash equivalents decreased from RMB811.9 million to RMB361.8 million.

Following the completion of the bio-diesel production facilities in FY2009, intangible assets in the form of technical know-how acquired at the cost of RMB70.0 million from external parties were also recognized during the year. The Group continued to make substantial investments in production facilities for new products resulting in the increase in property, plant and equipment in FY2009.

Trade and other receivables increased to RMB689.6 million (FY2008: RMB446.9 million) and average trade receivable turnover days increased to 110 days (FY2008: 68 days) in FY2009. This was due to the Group

Operations and Financial Review (cont'd)

having extended a longer credit period – beyond the general 60 to 90 days – and slower repayment by some customers affected by the ongoing difficult economic conditions.

Inventories increased to RMB103.9 million (FY2008: RMB81.9 million) as the Group, in mitigating adverse price fluctuations, had accumulated significant amounts of soybeans in 2Q2009 and total inventory level as at the end of that quarter stood at RMB340.6 million. In the second half of FY2009, the Group reduced its inventory level of soybeans through utilisation.

Trade and other payables decreased from RMB155.6 million in FY2008 to RMB67.0 million in FY2009 due mainly to the repayment of expenses accrued as at the end of FY2008.

CONVERTIBLE BONDS

On 12 June 2006, the Company issued zero coupon convertible bonds maturing 5 years from the issue date (the "Bonds") at an issue price of 100% of the principal amount of S$235,000,000. The Bonds may be converted into fully paid ordinary shares of the Company, at the option of the holders, at any time on or after 23 July 2006 up to the close of business on 2 June 2011 or if such Bonds shall have been called for redemption before 12 June 2011, then up to the close of business on a date no later than seven business days prior to the date fixed for redemption thereof.

As at 23 May 2009, the Company had received notifications from the holders of the Bonds, representing S$234,600,000 out of the total principal amount of S$235,000,000, requiring the Company to redeem the Bonds held by them. The due date for the redemption payment was on 12 June 2009.

The Company is currently not in a position to meet its payment obligations but is reviewing strategic options to restructure the Bonds.

The Company has been discussing with the bondholders to arrive at an amicable settlement and has been providing monthly updates via the SGXnet.

The Company will provide an update as and when there is any further development on this matter.

Board Of Directors

MING DEQUAN

Executive Chairman and Chief Executive Officer

Executive Chairman and CEO of Celestial, Mr. Ming is one of the founders of the Group and was appointed as an Executive Director of the Company on 26 September 2003. Mr. Ming's primary responsibilities include establishing strategic and business development directions of the Group. He also plays an active role in the overall daily management of the Group and is in charge of the review and monitoring of the Group's internal control system.

Graduated from Qiqihaer Light Industry Institute in 1988, majoring in food engineering, Mr. Ming also obtained a Masters Degree in Business Administration from PRC Mineral Industry University (Beijing) in 2002, and further completed a research course in industrial and commercial management in Qinghua University in the same year.

ZHAO XIANGHUA

Executive Director

Mr. Zhao was appointed as an Executive Director of the Company on 26 September 2003. He is primarily responsible for the overall management of the Group's operations in the PRC. Mr. Zhao graduated from the County Enterprise Adult Mid-Level Professional School, Heilongjiang, PRC in 1982, majoring in commercial accounting. Mr. Zhao also obtained a Masters Degree in Business Administration from People's University of the PRC in 2003. In 2006, Mr. Zhao was appointed as a member of the Chinese People's Political Consultative Conference for Daqing City of Heilongjiang Province, PRC.

ZHOU CHUANNONG

Executive Director

Mr. Zhou was appointed as an Executive Director of the Company on 26 September 2003. His role involves the supervision and management of the Group's product research and development, as well as quality control. Mr. Zhou has accumulated about 20 years of experience in PRC food industry. Mr Zhou graduated from Guangzhou Light Industry Department University in the PRC in 1989, majoring in food engineering.

LAI SENG KWOON

Independent Director

Mr. Lai was appointed as an Independent Director of the Company on 12 July 2004. He is a certified public accountant practising under the name of SK Lai & Co. He has more than 30 years of extensive and varied experience in accounting, tax, corporate and financial matters and had previously worked with KPMG in Singapore and in the United States.

Mr. Lai is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Certified Public Accountants of Singapore. He is currently a member of the Audit Committee of the Singapore Sports Council and the Council of the Singapore Scout Association. He also serves as an Independent Director on a number of other companies listed on SGX.

MA WING YUN BRYAN

Independent Director

Mr. Ma was appointed as an Independent Director of the Company on 21 November 2003. Mr. Ma is currently a director of Sichuan Unionsun Electric Power Limited and Sichuan Unionsun Yangkou Real Estate Limited. In addition, Mr. Ma is an Independent Director of a company listed on SGX and another company listed on The Stock Exchange of Hong Kong Limited. Mr. Ma has accumulated over 20 years of experience in areas of financial and management accounting, taxation and auditing.

Mr. Ma obtained a Professional Diploma in accounting from The Polytechnic of Hong Kong (currently The Hong Kong Polytechnic University). He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

LOO CHOON CHIAW

Independent Director

Mr. Loo was appointed as an Independent Director of the Company on 30 June 2006. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1981 and is currently the Managing Partner of Loo & Partners LLP, a law firm in Singapore. He qualified as Barrister-at-Law of Lincoln's Inn, London and obtained his Master of Law degree from the University of London. He is a fellow of the Chartered Institute of Arbitrators, London, and a member of the Panel of Arbitrators of the Beijing Arbitration Commission and the Wuhan Arbitration Commission. Mr. Loo is also an independent director of several other public companies listed on SGX.

Senior Management

LIU SHUNFU

Chief Operating Officer and PRC General Manager

Mr. Liu is responsible for the overall management of the Group's PRC operations. Before being appointed as the Chief Operating Officer, Mr. Liu has held key positions in different departments of the Group. Mr. Liu graduated with a degree in agriculture from Dongbei Agricultural University, PRC, in 1995. He also obtained a Masters Degree in Business Administration from People's University of the PRC in 2003.

FENG JIANPING

PRC General Manager

Mr. Feng is primarily responsible for the overall management of the Group's operations. He is the General Manager of Daqing Celestial Sun Moon Star Protein Co., Ltd. Mr. Feng graduated from Harbin Architectural Institute in 1989, majoring in Industrial and Residential Architecture. He also obtained a Masters Degree in Business Administration from People's University of the PRC in 2003.

GUO XIFENG

Production Manager

Mr. Guo is the Production Manager of Daqing Sun Moon Star Co., Ltd. Mr. Guo graduated from Zhengzhou Grain Institute in 1993, majoring in oil-fat engineering. Mr. Guo has accumulated extensive experience in soybean processing and technology.

ZHU HUAJUN

Production Manager

Mr. Zhu is the Production Manager of Daqing Celestial Sun Moon Star Protein Co., Ltd. Since graduation, Mr. Zhu has accumulated more than 20 years of experience in soybean processing and technology. Mr. Zhu graduated from Qiqihaer Light Industry Institute in 1985, majoring in mechanical engineering.

LI HEWEN

Chief Internal Auditor

Mr. Li joined the Company on 1 September 2009, and is responsible for the Group's internal audit function and reports to the directors regularly. Mr. Li graduated in 1979 from Humeng Supply and Marketing School in the PRC, and obtained his Bachelor degree in 1993, majoring in Statistics. Mr. Li has accumulated more than 20 years of audit experience.

HU XIANGANG

Group Financial Controller

Mr. Hu joined the Company on 1 March 2009 and is primarily responsible for overseeing the Group's financial management. Mr. Hu graduated with a degree in finance from Harbin University of Commerce in 1996 and also obtained a Masters Degree in Finance from Tianjin University of Finance and Economics in 2005. Since graduation, Mr. Hu has accumulated about 13 years of working experience in finance, investments and audits. Mr. Hu is a Chinese Certified Public Accountant and a Public Accountant registered with Ministry of Finance China. He is also a Chinese Certified Public Accountant in Public Practice registered with Chinese Institute of Certificate Public Accountant and a China Chartered Certified Public Accountant in the area of Security & Futures registered with China Securities Regulatory Commission.

GENG HONGTAO

PRC Chief Financial Controller and Chief Accountant

Mr. Geng manages the overall finance and accounting function of the Group's PRC operations. He is also the Financial Controller supervising the daily operations of the Finance and Accounting Department of Daqing Sun Moon Star Co., Ltd and Daqing Weitian Energy Co., Ltd. Mr. Geng graduated in 1987 from Heilongjiang Food School with a degree in accountancy and has accumulated more than 20 years of experience in PRC finance, accounting and taxation matters.

JIANG YONGJUN

PRC Financial Controller

Mr. Jiang is responsible for managing the finance and accounting function of Daqing Celestial Sun Moon Star Protein Co., Ltd. He oversees the daily operations of the Finance and Accounting Department of this subsidiary company. After graduating from Nehe Technical School, majoring in accountancy in 1983, Mr Jiang has accumulated over 20 years of experience in PRC finance, accounting and taxation matters.

SUN FENG

IR Director and Administration Manager

Mr. Sun is responsible for the Company's investor relation matters and the administration matters of the Group's head office in Beijing. Mr. Sun graduated with a degree in international trading from Hebei University of Economics and Business in 2000. Since graduation, he has accumulated 10 years of experience in the areas of international trading, investor relations and administrative management.

Corporate Governance Report

Celestial NutriFoods Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Group and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Board of Directors (the "Board") is pleased to report compliance of the Company with the Code of Corporate Governance 2005 (the "Code"), except where otherwise stated.

BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention on growth and financial performance. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are:

(a) to approve the Group's key business strategies and financial objectives;

(b) to approve the major investments and divestments, and funding proposals;

(c) to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and

(d) to assume responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board.

Every Executive Director receives appropriate training to develop individual skills in order to discharge his duties. The Group also provides extensive information about its history, mission and values to the Directors. There are also sessions to update and inform the Directors regarding new legislation and/or regulations which are relevant to the Group.

Management will conduct briefings and orientation programmes to familiarize newly appointed Directors with the various businesses, operations and processes of the Group.

The Board currently holds at least four scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of quarterly and annual financial results. Additional meeting may be held to address significant transactions or issues where necessary. The Company's Bye-laws permit a Board meeting to be conducted by way of tele-conference and video-conference.

During the financial year, the Board held four board meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:-

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		Investment Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Ming Dequan (Executive Chairman)	4	4	NA	NA	NA	NA	NA	NA	1	1
Mr. Zhao Xianghua (Executive Director)	4	4	NA	NA	NA	NA	NA	NA	NA	NA
Mr. Zhou Chuannong (Executive Director)	4	4	NA	NA	NA	NA	NA	NA	NA	NA
Mr. Ma Wing Yun Bryan (Independent Director)	4	3	4	3	1	1	1	1	NA	NA
Mr. Lai Seng Kwoon (Independent Director)	4	4	4	4	1	1	1	1	1	1
Mr. Loo Choon Chiaw (Independent Director)	4	4	4	4	1	1	1	1	1	1

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment. The Board of 6 Directors includes 3 Executive Directors and 3 Independent Directors. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 7 of the Annual Report.

The independence of each Director is reviewed by the Nominating Committee ("NC"). The NC adopts the definition of what constitutes an Independent Director from the Code. The current NC is of the view that Mr. Ma Wing Yun Bryan, Mr. Lai Seng Kwoon and Mr. Loo Choon Chiaw are independent.

The Code recommends that there should be a strong and independent element on the Board, with Independent Directors making up at least one-third of the Board. The Board considers that the present Board size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.

The non-executive directors constructively challenge and help develop proposals on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure, i.e. where the Chief Executive Officer ("CEO") and the Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

The Group's Executive Chairman and CEO is Mr. Ming Dequan, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. Mr. Ming is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these years, Mr. Ming has demonstrated his vision, strong leadership and enthusiasm in this business.

PRINCIPLE 6: ACCESS TO INFORMATION

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. Orientation to the Group's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-laws and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

BOARD COMMITTEE

INVESTMENT COMMITTEE ("IC")

The current IC comprises Mr. Loo Choon Chiaw (Chairman), Mr. Lai Seng Kwoon and Mr. Ming Dequan as members. The majority of these Directors are independent Directors.

The IC is responsible for:

(a) considering any investment activities within its charter;

(b) recommending investment strategies and policies, asset allocations, cash positions and appointments of investment managers to the Board;

(c) receiving and considering the activity reports, if applicable, for each of the portfolios managed, and reviewing and evaluating investment performance both in actual terms and against benchmarks;

(d) monitoring the processes of investment management to ensure that the processes are being implemented in a professional and controlled manner;

(e) reviewing whether any non-performing investments or operational risks exist within the portfolios;

(f) reviewing whether the investment activities are in line with agreed objectives, procedures and limits as set by the IC and approved by the Board;

(g) reviewing the list of approved trading counterparties and to consider the establishment, adjustment or deletion of their respective limits and approvals of counterparties;

(h) reviewing, evaluating and approving procedures on whether the Company's investment activities or decisions comply with all applicable laws, regulations and guidelines relating thereto;

(i) reviewing and fixing the appropriate performance benchmarks for each of the projects and the tactical disposition of assets within fixed strategic benchmarks ranges; and

(j) obtaining independent verification of the investment performance achieved and to discuss the results with the investment personnel.

NOMINATING COMMITTEE ("NC")

PRINCIPLE 4: BOARD MEMBERSHIP

The current NC comprises Mr. Ma Wing Yun Bryan as Chairman and Mr. Lai Seng Kwoon and Mr. Loo Choon Chiaw as members. All these Directors are independent.

The NC is responsible for:-

(a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

(b) reviewing all candidates nominated for appointment as senior management staff;

(c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;

(d) procuring that at least one-third of the Board shall comprise Independent Directors;

(e) making recommendations to the Board on the continuation of the services of any Director who has reached the age of 70;

(f) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;

(g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

(h) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

All Directors are subject to the provisions of the Company's Bye-laws whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

The NC recommended to the Board that Mr. Ma Wing Yun Bryan and Mr. Loo Choon Chiaw be nominated for re-appointment at the forthcoming AGM. Mr. Bryan Ma and Mr. Loo had signified their consent to continue in office.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

PRINCIPLE 5: BOARD PERFORMANCE

The Group has implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board and contribution by individual Director. In drawing up the objective performance criteria for such evaluation and determination, the NC considered a number of factors, including achieving financial targets, performance of the Board and performance of individual Director vis-à-vis attendance and contributions during Board meetings.

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

The NC assessed the Board's performance as a whole and contribution by individual Director in 2009. The NC is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

REMUNERATION COMMITTEE ("RC")

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The current RC comprises Mr. Loo Choon Chiaw as Chairman and Mr. Ma Wing Yun Bryan and Mr. Lai Seng Kwoon as members. All these Directors are independent.

The RC is responsible for:-

(a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the performance of the Executive Directors;

(c) determining the specific remuneration package for each Executive Director;

(d) considering the eligibility of Directors for benefits under long-term incentive schemes; and

(a) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

The members of the RC do not participate in any decisions concerning their own remuneration.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate Directors and senior management of the required experience and expertise to run the Group successfully. The following table shows a breakdown of the remuneration of Directors and senior executives for 2009.

Remuneration Bands	Salary %	Performance Bonus %	Directors' Fees %	Others %	Total Compensation %
Directors					
S$500,000 and above					
Ming Dequan	100	–	–	–	100
Below S$250,000					
Zhao Xianghua	100	–	–	–	100
Zhou Chuannong	100	–	–	–	100
Lai Seng Kwoon	–	–	100	–	100
Loo Choon Chiaw	–	–	100	–	100
Ma Wing Yun Bryan	–	–	100	–	100
Senior Executives					
Below S$250,000					
Liu Shunfu	100	–	–	–	100
Feng Jianping	100	–	–	–	100
Guo Xifeng	100	–	–	–	100
Zhu Huajun	100	–	–	–	100
Li Hewen	100	–	–	–	100
Jiang Weibo	100	–	–	–	100
Geng Hongtao	100	–	–	–	100
Jiang Yongjun	100	–	–	–	100
Sun Feng	100	–	–	–	100
Hu Xiangang [Note1]	100	–	–	–	100
Tam Ching Ho [Note2]	100	–	–	–	100

Note

1. Mr. Hu Xiangang joined our Company on 1 March 2009.
2. Mr. Tam Ching Ho left our Company on 1 March 2009.

The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The fees of the Directors are subject to approval of the shareholders at AGM.

All Executive Directors do not have service agreements with the Company. Their compensation packages consist of salaries, discretionary bonus and performance awards that are dependent on the performance of the Group. None of them receive Directors' fees.

The Company does not have any employees who are immediate family members of a Director or the CEO.

Share options are offered to employees as a part of long-term incentive scheme to attract and retain the relevant persons to support the growth of the Company. During the year, no share options were granted to employees of the Company. Further information on the share option scheme can be found in the audited financial statements, as set out on pages 20 to 22 of the Annual Report.

AUDIT COMMITTEE ("AC")

PRINCIPLE 11: AUDIT COMMITTEE

The current AC comprises Mr. Lai Seng Kwoon as Chairman and Mr. Ma Wing Yun Bryan and Mr. Loo Choon Chiaw as members. All these Directors are independent.

The AC is responsible for:-

a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;

b) reviewing the Group's financial results and the announcements before submission to the Board for approval;

c) reviewing the assistance given by management to external auditors;

d) considering and recommending the appointment/re-appointment of the external auditors;

e) reviewing the adequacy of the internal controls and effectiveness of the internal audit function;

f) reviewing interested person transactions; and

g) performing other functions as required by law or the Code.

During the financial year, the AC has met four times, all of which were attended by external auditors and management, to discuss and review the Group's audit plan, the audit report and its related findings and the results of the external auditors' examination and evaluation of the Company's system of internal controls.

The AC has been given full access to and obtained the co-operation of the Company's management. The AC has full discretion to invite any Director or key executive to attend its meetings. The AC has resources to enable it to discharge its functions properly.

The AC is satisfied that arrangements are in place for staff to raise concerns about possible improprieties in matters of financial reporting or other matters of significance, and that there were independent investigation of such matters and appropriate follow up action.

During the financial year, the AC has met with the external auditors without the presence of the management to review matters that might be raised.

During the financial year, the external auditors did not render any non-audit services to the Group. The AC is pleased to recommend the re-appointment of the external auditors.

PRINCIPLE 12: INTERNAL CONTROLS

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment.

PRINCIPLE 13: INTERNAL AUDIT

The Board recognises and is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The Internal Audit Department is independent of the activities it audits. The Head of Internal Audit's primary line of reporting is to the CEO, who then reports to the AC on any material non-compliance and internal control weaknesses and the AC will oversee and monitor the implementation of any improvements thereto. The Internal Audit Department's finding and progress reports are submitted to the AC on a quarterly basis.

The AC has reviewed the annual internal audit plan for FY2009. The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

The AC is satisfied that the internal audit is adequate to meet the needs of the Group in its current business environment.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 10: ACCOUNTABILITY

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

PRINCIPLES 14 AND 15: COMMUNICATIONS WITH SHAREHOLDERS

The Company does not practise selective disclosure. Information on any new initiatives is disseminated via SGXNET and news releases. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Bye-laws allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(b)(iv))

The Group is continually reviewing and improving its business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources and updating work flows, processes and procedures to meet the current and future market conditions. The Group has also considered the various financial risks and management, details of which are found on pages 54 to 61 of the Annual Report.

SECURITIES TRANSACTIONS
(Listing Manual Rule 1207(18))

The Company has adopted the SGX-ST's best practices with respect to dealings in securities by the Directors and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's financial statements for the financial year end, as the case may be, and ending on the date of announcements of relevant results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares.

MATERIAL CONTRACTS
(Listing Manual Rule 1207(8))

There were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at 31 December 2009.

INTERESTED PERSON TRANSACTIONS
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm’s length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

The Group confirms that there were no interested person transactions of more than S$100,000 during the financial year under review.

Financial Contents

Directors' Report

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2009 and the balance sheet of the Company as at 31 December 2009.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Ming Dequan
Zhao Xianghua
Zhou Chuannong
Lai Seng Kwoon
Ma Wing Yun Bryan
Loo Choon Chiaw

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 20 to 22 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2009	**At 1.1.2009**	**At 31.12.2009**	**At 1.1.2009**
The Company				
(Ordinary shares of US$0.06 each)				
Ming Dequan	180,597,550	180,597,550	–	–
Zhao Xianghua	18,428,300	18,428,300	–	–
Lai Seng Kwoon	20,000	20,000	80,000	80,000

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in options to subscribe for ordinary shares of the Company granted pursuant to the Celestial Employee Share Option Scheme as set out below and under "Share Options" on pages 20 to 22 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

(c) Mr Ming Dequan, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries.

(d) The directors' interests in the ordinary shares and options of the Company as at 21 January 2010 were the same as those as at 31 December 2009.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Ming Dequan, Mr Zhao Xianghua and Mr Zhou Chuannong have employment relationships with the Company and its subsidiaries, and have received remuneration in these capacities.

SHARE OPTIONS

(a) Celestial employee share option scheme

The Celestial Employee Share Option Scheme (the "Scheme") was approved by the members of the Company at an Extraordinary General Meeting on 21 November 2003.

The Scheme is administered by the Remuneration Committee, which comprises the following members, all of whom are independent directors:

Loo Choon Chiaw (Chairman)
Lai Seng Kwoon
Ma Wing Yun Bryan

Under the Scheme, share options can be granted to executive and non-executive directors (including independent directors) and employees of the Group and associated companies ("Group Employees").

Currently, the Company does not have any associated company.

The options that are granted under the Scheme may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a share; or at a discount to the Market Price (subject to a maximum discount of 20%).

SHARE OPTIONS (cont'd)

(a) Celestial employee share option scheme (cont'd)

Options which are fixed at the Market Price ("Market Price Option") may be exercised after the 1st anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the 2nd anniversary from the date of grant of the option ("Incentive Option"). Options granted under the Scheme will have a life span of 10 years for options granted to Group Employees (other than non-executive directors and/or employees of associated companies) and 5 years for options granted to non-executive directors and/or employees of associated companies. Under no circumstances shall the exercise price be less than the nominal value of a share. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The Scheme became operative with options on 47,600,000 shares being granted pursuant to the Scheme on 27 August 2004 at an exercise price of S$0.30 per ordinary share ("2004 Options"). The 2004 Options are exercisable from 27 August 2005 and expire on 26 August 2014. Particulars of the 2004 Options were set out in the Directors' Report for the financial year ended 31 December 2004.

No options have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited).

No participant under the Scheme has received 5% or more of the total number of options available under the Scheme, except as follows:

	No. of unissued ordinary shares of the Company under option			
Name of participant	**Granted in financial year ended 31.12.2009**	**Aggregate granted since commencement of scheme to 31.12.2009**	**Aggregate exercised since commencement of Scheme to 31.12.2009**	**Aggregate outstanding as at 31.12.2009**
Jiang Yongjun	–	3,000,000	–	3,000,000
Zhu Huajun	–	2,300,000	–	2,300,000

No option was granted during the financial year.

SHARE OPTIONS (cont'd)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the Celestial Employee Share Option Scheme outstanding at the end of the financial year is as follows:

	Number of unissued ordinary shares under option at 31.12.2009	Exercise price	Exercise period
2004 Options	5,300,000	S$0.30	27.8.2007 – 26.8.2014

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

MING DEQUAN
Director

ZHAO XIANGHUA
Director

29 March 2010

Statement by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 26 to 64 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2009 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

MING DEQUAN
Director

ZHAO XIANGHUA
Director

29 March 2010

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELESTIAL NUTRIFOODS LIMITED

We were engaged to audit the accompanying financial statements of Celestial Nutrifoods Limited (the "Company") and its subsidiaries (the "Group") set out on pages 26 to 64, which comprise the balance sheets of the Company and of the Group as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As set out in Note 2.2 to the financial statements, as at 31 December 2009, the Group's current liabilities exceeded its current assets by RMB448,065,000, mainly due to the redemption payment obligations in relation to the S$235,000,000 zero-coupon convertible bonds (the "Bonds") with carrying amount of RMB1,380,309,000.

As at 23 May 2009, under the terms of the Bonds, holders of the Bonds representing S$234,600,000 in principal amount of the Bonds (the "Bondholders") have exercised their rights to redeem early the Bonds held by them. The due date for the redemption payment to the Bondholders was 12 June 2009. At the date of this report, the Company is unable to meet its payment obligations to the Bondholders and is engaged in negotiations with the Bondholders to restructure the Bonds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELESTIAL NUTRIFOODS LIMITED (cont'd)

Basis for Disclaimer of Opinion (cont'd)

As at 31 December 2009, the Group had total cash and cash equivalents of RMB361,816,000. A substantial portion of the Group's existing cash resources and its operating cash flows in 2010 is expected to be used for meeting the Group's working capital requirements and capital commitments.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. The financial statements are prepared on a going concern basis as management believes that a settlement can be reached with the Bondholders, and that sufficient funds are available to finance any agreed settlement with the Bondholders.

If the Company is unable to reach a settlement agreement with the Bondholders, or if the Group is unable to finance the settlement that will be agreed with the Bondholders, the Group and the Company may be unable to continue in operational existence for the foreseeable future. If this happens, adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheets of the Group and the Company as at 31 December 2009. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to classify the non-current assets as current assets. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as going concerns.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements of the Group and the Company.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore

29 March 2010

Consolidated Statement of Comprehensive Income

	Note	Group 2009 RMB'000	2008 RMB'000
Sales	4	**1,665,580**	2,301,510
Cost of sales	6	**(1,226,334)**	(1,495,073)
Gross profit		**439,246**	806,437
Other income	4	**6,526**	16,765
Other gains – net	5	**4,423**	3,465
Expenses			
– Distribution	6	**(140,660)**	(149,540)
– Administrative	6	**(35,746)**	(76,993)
– Finance	8	**(158,396)**	(4,815)
– Other operating expenses	6	**(113,424)**	–
Profit before income tax		**1,969**	595,319
Income tax expense	9(a)	**(5,150)**	(96,161)
(Loss)/profit after tax		**(3,181)**	499,158
Other comprehensive income		**–**	–
Total comprehensive (loss)/income		**(3,181)**	499,158
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,181)**	499,158
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(3,181)**	499,158
(Loss)/earnings per share for profit from continuing operations attributable to equity holders of the Company **(RMB per share)**	10		
– Basic		**(0.005)**	0.784
– Diluted		**(0.005)**	0.667

Balance Sheets

		Group		Company	
	Note	**2009**	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**361,816**	811,866	**89,615**	129,333
Trade and other receivables	12	**689,566**	446,927	**1,763,561**	1,761,721
Inventories	13	**102,961**	81,888	**–**	–
Other current assets	14	**48,930**	2,239	**–**	–
		1,203,273	1,342,920	**1,853,176**	1,891,054
Non-current assets					
Investments in subsidiaries	15	**–**	–	*****	749
Property, plant and equipment	16	**2,562,374**	2,248,675	**–**	–
Intangible assets	17	**67,667**	–	**–**	–
		2,630,041	2,248,675	**–**	749
Total assets		**3,833,314**	3,591,595	**1,853,176**	1,891,803
LIABILITIES					
Current liabilities					
Trade and other payables	18	**67,029**	155,622	**3,675**	29,941
Current income tax liabilities	9(b)	**–**	21,510	**–**	–
Borrowings	19	**1,584,309**	1,225,723	**1,380,309**	1,225,723
Derivative financial instrument	20	**–**	3,583	**–**	3,583
		1,651,338	1,406,438	**1,383,984**	1,259,247
Total liabilities		**1,651,338**	1,406,438	**1,383,984**	1,259,247
NET ASSETS		**2,181,976**	2,185,157	**469,192**	632,556
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**314,749**	314,749	**314,749**	314,749
Share premium		**298,002**	298,002	**298,002**	298,002
Share option reserve	21	**2,768**	2,768	**2,768**	2,768
Non-distributable reserves	22	**196,609**	177,567	**–**	–
Retained earnings/(accumulated losses)		**1,369,848**	1,392,071	**(146,327)**	17,037
Total equity		**2,181,976**	2,185,157	**469,192**	632,556

* Less than RMB1,000

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital	**Share premium**	**Share option reserve**	**Non-distributable reserves**	**Retained earnings**	**Total equity**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
2009							
Beginning of financial year		314,749	298,002	2,768	177,567	1,392,071	2,185,157
Transfer from retained earnings to non-distributable reserves	22	–	–	–	19,042	(19,042)	–
Total comprehensive loss for the year		–	–	–	–	(3,181)	(3,181)
End of financial year		**314,749**	**298,002**	**2,768**	**196,609**	**1,369,848**	**2,181,976**
2008							
Beginning of financial year		314,749	298,002	3,969	123,076	1,011,368	1,751,164
Transfer from retained earnings to non-distributable reserves	22	–	–	–	54,491	(54,491)	–
Transfer from share option reserve to retained earnings	21	–	–	(1,201)	–	1,201	–
Dividend relating to 2007 paid	23	–	–	–	–	(65,165)	(65,165)
Total comprehensive income for the year		–	–	–	–	499,158	499,158
End of financial year		**314,749**	**298,002**	**2,768**	**177,567**	**1,392,071**	**2,185,157**

Consolidated Cash Flow Statement

	Note	The Group 2009 RMB'000	The Group 2008 RMB'000
Cash flows from operating activities			
(Loss)/profit after tax		**(3,181)**	499,158
Adjustments for:			
– Income tax expense	9(a)	**5,150**	96,161
– Depreciation of property, plant and equipment	6	**143,035**	65,538
– Amortisation of intangible asset	6	**2,333**	–
– Loss on disposal of property, plant and equipment	5	**17**	470
– Interest income	4	**(1,591)**	(10,639)
– Interest expense	8	**86,005**	82,130
– Dividend income	4	**–**	(1,731)
– Loss on early redemption of convertible bonds	8	**39,289**	–
– Gain on derecognition/revaluation of derivative financial instrument	5	**(3,394)**	(13,400)
– Unrealised translation losses/(gains)	8	**33,102**	(77,315)
		300,765	640,372
Changes in working capital			
– Trade and other receivables		**(242,639)**	(23,745)
– Inventories		**(21,073)**	(8,338)
– Other current assets		**(31,483)**	3,828
– Trade and other payables		**(21,457)**	10,854
Cash (used in)/generated from operations		**(15,887)**	622,971
Income tax paid	9(b)	**(41,868)**	(92,807)
Interest received		**1,591**	10,639
Dividend income		**–**	1,731
Net cash (used in)/provided by operating activities		**(56,164)**	542,534
Cash flows from investing activities			
Purchases of property, plant and equipment		**(523,887)**	(1,244,214)
Purchase of intangible assets		**(70,000)**	–
Proceeds from disposal of property, plant and equipment		**–**	25,150
Proceeds from disposal of subsidiary		**–**	896
Net cash used in investing activities		**(593,887)**	(1,218,168)
Cash flows from financing activities			
Proceeds from borrowings		**204,000**	–
Repayment of borrowings		**–**	(95,000)
Interest paid		**(3,999)**	–
Dividends paid to equity holders of the Company	23	**–**	(65,165)
Net cash provided by/(used in) financing activities		**200,001**	(160,165)
Net decrease in cash and cash equivalents		**(450,050)**	(835,799)
Cash and cash equivalents at beginning of financial year		**811,866**	1,647,665
Cash and cash equivalents at end of financial year	11	**361,816**	811,866

Notes to the Financial Statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Celestial NutriFoods Limited (the "Company") is incorporated and domiciled in Bermuda as an exempted company with limited liability and is listed on the Singapore Exchange. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are the manufacturing and sale of soybean based food products and investment holding (Note 15).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

- FRS 1 (revised), Presentation of Financial Statements (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. Where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 January 2008 in the current financial year.

- FRS 108, Operating Segments (effective from 1 January 2009) replaces FRS 14, "Segment reporting", and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in segment information presented in Note 28.

- Amendment to FRS 107 Improving Disclosures about Financial Statements (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment does not result in additional disclosures and has no impact on the accounting policies and measurement bases adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Going concern

As at the balance sheet date, the Group's current liabilities exceeded its current assets by RMB448,065,000 (2008: RMB63,518,000), mainly due to the redemption payment obligations in relation to the S$235,000,000 zero-coupon convertible bonds (the "Bonds") with a carrying amount of RMB1,380,309,000 (2008: RMB1,225,723,000) (Note 20).

As at 23 May 2009, under the terms of the Bonds, holders of the Bonds representing S$234,600,000 in principal amount of the Bonds (the "Bondholders") have exercised their rights to redeem early the Bonds held by them. The due date for the redemption payment to the Bondholders was 12 June 2009. At the date of these financial statements, the Company is unable to meet its payment obligations to the Bondholders and is engaged in negotiations with the Bondholders to restructure the Bonds.

As at 31 December 2009, the Group had total cash and cash equivalents of RMB361,816,000 (2008: RMB811,866,000). A substantial portion of the Group's existing cash resources and its operating cash flows in 2010 is expected to be used for meeting the Group's working capital requirements and capital commitments (Note 25).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. The financial statements are prepared on a going concern basis as management believes that a settlement can be reached with the Bondholders, and that sufficient funds are available to finance any agreed settlement with the Bondholders.

If the Company is unable to reach a settlement agreement with the Bondholders, or if the Group is unable to finance the settlement that will be agreed with the Bondholders, the Group and the Company may be unable to continue in operational existence for the foreseeable future. If this happens, adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheets of the Group and the Company as at 31 December 2009. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to classify the non-current assets as current assets. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as going concerns.

2.3 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented net of sales returns, rebates, trade discounts and value-added taxes, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods and scrap raw materials

Revenue from these sales is recognised when a Group entity has delivered the products to locations specified by its customers and the customers have accepted the products in accordance with the sales contract.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Group accounting

Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of the losses in a subsidiary exceeds its interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

Transactions with minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

2.5 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in- progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.6 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Property, plant and equipment

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Land use rights	Term of land use rights which is 50 years
Buildings	30 years
Office equipment	5 - 8 years
Motor vehicles	10 years
Plant and equipment	10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Assets under construction represent plant and equipment under construction or being installed and are carried at cost. No depreciation is provided for assets under construction until the relevant assets are completed and when they are available for use.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss within 'Other gains – net'.

2.8 Intangible assets

Technical know-how

Technical know-how acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Impairment of non-financial assets

Property, plant and equipment, intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

(a) Classification

The Group has only one category of financial assets, which is loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial assets (cont'd)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.11 Operating leases – when the Group and the Company are the lessee

Leases of assets when substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible bonds

Convertible bonds denominated in a currency other than the Group's functional currency are accounted for as a liability. The fair value of the options embedded in the convertible bonds at inception, is recognised as derivative financial instrument on the balance sheet, while the difference between the fair value of the options of the convertible bonds and the amount of the proceeds is recognised as a liability component within "borrowings".

The derivative financial instrument is subsequently carried at its fair value. Gains or losses arising from changes in the fair value of the derivative financial instruments component are presented in profit or loss within "other gains" in the financial year in which the changes in fair value arises.

The liability component is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

If and when the option is exercised, the carrying amount of liability derivative financial instrument and the liability component are derecognised with a corresponding recognition of share capital and share premium.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties. This includes those costs on borrowings acquired specifically for the construction or development of properties, as well as those in relation to general borrowings used to finance the construction or development of properties.

2.14 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.15 Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(I) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(II) based on the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in profit or loss except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Employee benefits

(i) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The Group companies pay contributions to publicly administered pension insurance plans on a mandatory or contractual basis. Once the contributions have been paid, the Group companies have no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in employee benefits.

(ii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in estimations of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of any directly attributable transactions costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued.

2.18 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Currency translation (cont'd)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency exchange differences are recognised in the currency translation reserve.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are deducted against the share premium account.

2.21 Dividend to Company's shareholders

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking price.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flows and Binomial option-pricing model, are also used to determine the fair values of the financial instruments.

2.24 Research costs

Research costs are recognised as an expense when incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Useful lives and residual values of property, plant and equipment

The costs of the property, plant and equipment less the residual values are depreciated on a straight line basis over the estimated useful lives of the property, plant and equipment. The management of the Group determines the estimated useful lives and residual values of the property, plant and equipment by reference to the expected usage of the property, plant and equipment, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. The useful lives, residual values and related depreciation expense could change significantly as a result of the changes in these factors.

(b) Impairment of trade receivables

Management reviews its trade receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for debtors with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If 10% of all overdue trade receivables becomes uncollectible, the Group's allowance for impairment will increase by RMB9,479,000 (2008: RMB140,000).

4. REVENUE AND OTHER INCOME

	Group	
	2009	2008
	RMB'000	RMB'000
Sale of goods	**1,665,580**	2,301,510
Other income		
– Sale of scrap raw materials	**4,935**	4,395
– Dividend income	**–**	1,731
– Interest income from bank balances	**1,591**	10,639
Total other operating income	**6,526**	16,765
Total revenue	**1,672,106**	2,318,275

5. OTHER GAINS – NET

	Group	
	2009	2008
	RMB'000	RMB'000
Gain on revaluation of derivative financial instrument	**–**	13,400
Gain on derecognition of derivative financial instrument	**3,394**	–
Loss on disposal of property, plant and equipment	**(17)**	(470)
Currency translation gains/(losses) – net	**1,046**	(9,465)
	4,423	3,465

6. EXPENSES BY NATURE

	Group	
	2009	2008
	RMB'000	RMB'000
Purchases of raw materials, finished goods and consumables	**1,099,146**	1,407,501
Depreciation of property, plant and equipment (Note 16)	**143,035**	65,538
Amortisation expense (Note 17)	**2,333**	–
Rental expense on operating leases	**672**	1,837
Employee compensation (Note 7)	**27,548**	66,996
Advertising and promotion expenses	**98,249**	100,519
Transportation expenses	**34,271**	39,219
Travelling and accommodation expenses	**4,712**	5,672
Public relation expenses	**1,617**	1,638
Legal and professional fees	**4,879**	4,295
Changes in inventories of raw material, work-in-progress and finished goods	**(21,073)**	10,416
Donations	**–**	3,261
Inventory write-down	**111,960**	754
Other expenses	**8,815**	13,960
Total cost of sales, distribution, administrative and other operating expenses	**1,516,164**	1,721,606

7. EMPLOYEE COMPENSATION

	Group	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**24,869**	62,745
Employer's contribution to defined contribution plans	**1,864**	3,002
Other employee benefits	**815**	1,249
	27,548	66,996

Key management remuneration is disclosed in Note 27(b).

8. FINANCE EXPENSES

	Group	
	2009	2008
	RMB'000	RMB'000
Interest expense on convertible bonds (Note 20)	**36,046**	82,130
Default interest expense on convertible bonds (Note 20)	**45,960**	–
Interest expense on bank borrowings	**3,999**	–
Loss on early redemption of convertible bonds	**39,289**	–
Currency translation loss/(gain)	**33,102**	(77,315)
	158,396	4,815

9. INCOME TAXES

(a) Income tax expense

	Group	
	2009	2008
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
Profit from current financial year:		
– Current income tax	**21,090**	96,161
Overprovision in prior financial years	**(15,940)**	–
	5,150	96,161

The Company is exempted from tax in Bermuda.

The subsidiaries that are incorporated in British Virgin Islands ("BVI") are exempted from tax in BVI.

The subsidiary that is incorporated in Singapore is dormant and does not have any taxable income.

The Company's subsidiaries in the People's Republic of China ("PRC"), Daqing Sun Moon Star Co., Ltd., Daqing Celestial Sun Moon Star Protein Co., Ltd. and Daqing Weitian Energy Co., Ltd. enjoy tax concessions in the PRC made available to Foreign Investment Enterprises and Foreign Enterprises. Pursuant to the applicable Corporate Income Tax Law of the PRC concerning Foreign Investment Enterprise, all of these subsidiaries are exempted from taxation for the first two profitable years and a 50% relief from the applicable PRC corporate income tax rate for the next three profitable years thereafter.

Daqing Celestial Sun Moon Star Protein Co., Ltd. and Daqing Sun Moon Star Co., Ltd. are in their fifth and fourth profitable year respectively and are entitled to enjoy concessionary income tax rate of 12.5% for the financial year ended 31 December 2009.

Daqing Weitian Energy Co., Ltd. is in tax loss position as at 31 December 2009.

9. INCOME TAXES (cont'd)

(a) Income tax expense (cont'd)

The tax expense on profit differs from the amount that would arise using the PRC standard rate of income tax due to the following:

	Group	
	2009	2008
	RMB'000	RMB'000
Profit before tax	**1,969**	595,319
Tax calculated at a tax rate of 25% (2008: 25%)	**492**	148,830
Effects of:		
– Tax concessions	**(22,550)**	(61,451)
– Deferred tax benefits not recognised	**2,058**	–
– Expenses not deductible for tax purposes	**41,090**	8,782
Tax charge	**21,090**	96,161

(b) Movement in current income tax liabilities

	Group	
	2009	2008
	RMB'000	RMB'000
Beginning of financial year	**21,510**	18,156
Tax expense	**5,150**	96,161
Income tax paid	**(41,868)**	(92,807)
Reclassified to other current assets – tax recoverable (Note 14)	**15,208**	–
End of financial year	**–**	21,510

(c) Deferred income tax assets and liabilities

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RMB23,200,000 (2008: RMB15,000,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in the PRC. The tax losses will expire between 2013 and 2015.

Deferred income tax liabilities of RMB71,000,000 (2008: RMB54,400,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of overseas subsidiaries when remitted to their respective holding companies. These unremitted earnings are permanently reinvested and amount to RMB710,000,000 (2008: RMB544,000,000) at the balance sheet date.

10. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2009	2008
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	**(3,181)**	499,158
Weighted average number of ordinary shares outstanding for basic earnings per share	**636,473,380**	636,473,380
Basic (loss)/earnings per share (RMB per share)	**(0.005)**	0.784

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the impact of the convertible bonds on the income statement, being the interest expense, gain on revaluation of derivative financial instrument and currency translation differences.

For the share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

The effects of the convertible bonds and the share options were anti-dilutive for the financial year ended 31 December 2009, and therefore had not been taken into account for the calculation of dilutive earnings per share for the year.

10. EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share (cont'd)

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2009	2008
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	**(3,181)**	499,158
Interest expense on convertible bonds (RMB'000)	**–**	82,130
Gain on revaluation of derivative financial instrument (RMB'000)	**–**	(13,400)
Currency translation gain (RMB'000)	**–**	(77,315)
Net (loss)/profit used to determine diluted earnings per share (RMB'000)	**(3,181)**	490,573
Weighted average number of ordinary shares outstanding for basic earnings per share	**636,473,380**	636,473,380
Adjustments for		
– Share options	**–**	3,916,640
– Convertible bonds	**–**	95,141,700
	636,473,380	735,531,720
Diluted (loss)/earnings per share (RMB per share)	**(0.005)**	0.667

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**361,816**	692,887	**89,615**	10,354
Short-term bank deposits	**–**	118,979	**–**	118,979
	361,816	811,866	**89,615**	129,333

The carrying amounts of cash and cash equivalents approximate their fair values.

The remittance of cash and cash equivalents denominated in Renminbi out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Short-term bank deposits at 31 December 2008 had a maturity of less than one month and carried an effective interest rate per annum of 0.34%.

The exposure of cash and cash equivalents to currency and interest rate risks is disclosed in Note 26.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Non-related parties	**689,422**	441,064	**–**	–
Due from subsidiaries (non-trade)	**–**	–	**1,763,561**	1,761,721
Other receivables	**144**	5,863	**–**	–
	689,566	446,927	**1,763,561**	1,761,721

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

13. INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	**72,091**	61,018
Work-in-progress	**6,118**	5,424
Finished goods	**24,752**	15,446
	102,961	81,888

The cost of inventories recognised as expense and included in "cost of sales" amounts to RMB1,064,303,000 (2008: RMB1,417,917,000).

14. OTHER CURRENT ASSETS

	Group	
	2009	2008
	RMB'000	RMB'000
Prepayments	**33,722**	2,068
Deposits	**–**	171
Tax recoverable	**15,208**	–
	48,930	2,239

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Beginning of financial year	**749**	749
Impairment of investments in subsidiaries	**(749)**	–
End of financial year	*****	749

* Less than RMB1,000

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2009	2008
			%	%
Held by the Company:				
Celestial (Singapore) NutriFoods Pte. Ltd. [1]	Dormant	Singapore	**100**	100
Clear Faith Holdings Ltd [2]	Investment holding	British Virgin Islands	**100**	100
Max Dragon Investments Ltd [2]	Investment holding	British Virgin Islands	**100**	100
Giant Fortune Group Limited [2]	Investment holding	British Virgin Islands	**100**	100
Held by Clear Faith Holdings Ltd:				
Daqing Sun Moon Star Co., Ltd. [3]	Manufacturing and sale of soybean based food products	PRC	**100**	100
Held by Max Dragon Investments Ltd:				
Daqing Celestial Sun Moon Star Protein Co., Ltd. [3]	Manufacturing and sale of soybean based food products	PRC	**100**	100
Held by Giant Fortune Group Limited:				
Daqing Weitian Energy Co., Ltd. [3]	Manufacturing and sale of bio-fuel products	PRC	**100**	100

(1) Audited by PricewaterhouseCoopers LLP, Singapore

(2) Not required to be audited under the laws of the country of incorporation

(3) Audited by Qi Qi Ha Er Xin Da Certified Public Accountants Ltd, People's Republic of China for local statutory purposes and PricewaterhouseCoopers LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land use rights RMB'000	Buildings RMB'000	Renovation RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Plant and equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2009								
Cost								
Beginning of financial year	69,207	1,212,041	243	2,388	1,955	951,105	182,964	2,419,903
Exchange difference	–	–	(2)	(3)	–	–	–	(5)
Transfers	–	54,461	–	–	–	12,624	(67,085)	–
Additions	350	–	–	371	–	–	456,032	456,753
Disposals	–	–	(241)	(306)	–	–	–	(547)
End of financial year	69,557	1,266,502	–	2,450	1,955	963,729	571,911	2,876,104
Accumulated depreciation								
Beginning of financial year	5,697	60,951	164	625	442	103,349	–	171,228
Exchange difference	–	–	(1)	(2)	–	–	–	(3)
Depreciation charge	1,359	42,888	78	247	284	98,179	–	143,035
Disposals	–	–	(241)	(289)	–	–	–	(530)
End of financial year	7,056	103,839	–	581	726	201,528	–	313,730
Net book value								
End of financial year	**62,501**	**1,162,663**	**–**	**1,869**	**1,229**	**762,201**	**571,911**	**2,562,374**

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group

	Land use rights RMB'000	Buildings RMB'000	Renovation RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Plant and equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2008								
Cost								
Beginning of financial year	69,207	706,658	259	2,327	3,912	432,432	207,913	1,422,708
Exchange difference	–	–	(16)	(19)	–	–	–	(35)
Transfers	–	–	–	–	–	207,882	(207,882)	–
Additions	–	505,383	–	80	–	310,791	182,933	999,187
Disposals	–	–	–	–	(1,957)	–	–	(1,957)
End of financial year	69,207	1,212,041	243	2,388	1,955	951,105	182,964	2,419,903
Accumulated depreciation								
Beginning of financial year	4,361	33,577	82	338	452	67,235	–	106,045
Exchange difference	–	–	(8)	(10)	–	–	–	(18)
Depreciation charge	1,336	27,374	90	297	327	36,114	–	65,538
Disposals	–	–	–	–	(337)	–	–	(337)
End of financial year	5,697	60,951	164	625	442	103,349	–	171,228
Net book value								
End of financial year	**63,510**	**1,151,090**	**79**	**1,763**	**1,513**	**847,756**	**182,964**	**2,248,675**

Bank borrowings are secured on property, plant and equipment of the Group with carrying amount of RMB426,784,000 (2008: Nil) (Note 19).

As at 31 December 2009, one of the Group's subsidiaries has not completed the necessary legal procedures to obtain the Building Certificates of self-constructed or purchased buildings with original cost of RMB1,002,000,000 and net book value of RMB920,000,000. The directors are of the view that the Building Certificates will be obtained in due course as these are merely administrative procedures.

17. INTANGIBLE ASSETS

	Group	
	2009	2008
	RMB'000	RMB'000
Cost		
Beginning of financial year	**–**	–
Additions	**70,000**	–
End of financial year	**70,000**	–
Accumulated amortisation		
Beginning of financial year	**–**	–
Amortisation charge	**2,333**	–
End of financial year	**2,333**	–
Net book value	**67,667**	–

Intangible assets comprised technical know-how relating to the production of bio-fuel and related products. It was acquired from non-related parties during the financial year. Amortisation expense has been included in cost of sales.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables to non-related parties	**49,309**	42,979	**–**	–
Accrual for operating expenses	**7,506**	42,764	**3,675**	29,931
Other creditors	**10,214**	69,879	**–**	10
	67,029	155,622	**3,675**	29,941

The carrying amounts of trade and other payables approximate their fair values.

19. BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Bank borrowings	**204,000**	–	**–**	–
Convertible bonds (Note 20)	**1,380,309**	1,225,723	**1,380,309**	1,225,723
Total borrowings	**1,584,309**	1,225,723	**1,380,309**	1,225,723

Security granted

Bank borrowings of the Group include secured liabilities of RMB134,000,000 (2008: Nil). These borrowings are secured over certain property, plant and equipment (Note 16).

20. CONVERTIBLE BONDS

On 12 June 2006, the Company issued zero-coupon, Singapore Dollar ("S$") denominated convertible bonds (the "Bonds") at a nominal value of S$235,000,000. The bonds will mature five years from the issue date at 129.263% of their nominal value, or can be converted into shares of the Company at the holder's option at a conversion price of S$2.47 per share (initial conversion price was S$2.57, adjusted to S$2.47 per share on 26 May 2008 due to declaration of a final dividend of S$0.02 per ordinary share for the financial year ended 31 December 2007). The Company may at any time on or after 12 December 2007 but not less than seven business days prior to the maturity date, mandatorily convert the Bonds into ordinary shares of the Company, provided that volume-weighted average price per share for each of any 20 trading days out of the 30 consecutive days, was at least 135% of the conversion price.

The holders of the Bonds may on 12 June 2009, require the Company to early redeem the Bonds at a gross yield of 5.2% per annum, calculated on a semi-annual basis. The final notice period ends on 22 May 2009.

The Company may also redeem the Bonds at their applicable early redemption amount if at least 90 percent in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

The fair value of the options embedded in the Bonds at inception, is recognised as derivative financial instrument on the balance sheet, while the residual amount is recognised as convertible bonds liability within "borrowings".

Early redemption of bonds and default in payment

As at 23 May 2009, the Company received notifications from holders of the Bonds, representing S$234,600,000 in principal amount of the Bonds (the "Bondholders") requiring the Company to early redeem the Bonds held by them. The due date for the redemption payment was 12 June 2009.

As at 31 December 2009, the Company had defaulted on the Bond redemption payment and has yet to settle the amounts due to the Bondholders.

At the date of these financial statements, the Company is unable to meet its payment obligations to the Bondholders and is engaged in negotiations with the Bondholders to restructure the bonds.

The carrying amount of the liability component of the Bonds at the balance sheet date is analysed as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Face value of convertible bonds issued on 12 June 2006, net of transaction costs	**1,153,186**	1,153,186
Derivative financial instruments on initial recognition at 12 June 2006	**(59,330)**	(59,330)
Liability component on initial recognition at 12 June 2006	**1,093,856**	1,093,856
Cumulative interest expense	**238,285**	202,239
Accelerated amortisation of transaction costs (presented as "loss on early redemption of convertible bond")	**39,289**	–
Cumulative default interest expense	**45,960**	–
Cumulative currency translation difference	**(37,081)**	(70,372)
Liability component at end of financial year (Note 19)	**1,380,309**	1,225,723

20. CONVERTIBLE BONDS (cont'd)

Early redemption of bonds and default in payment (cont'd)

Before its early redemption on 12 June 2009, the convertible bonds liability is recognised at amortised cost based on an effective annual interest rate of 6.81%. The resulting interest expense is recognised as finance expense in the income statement.

Upon early redemption by the Bondholders, the Bondholders are entitled to 100% of the principal plus a gross yield of 5.2% per annum, computed on semi-annual basis. As a result of the early bond redemption, the unamortised portion of the transaction costs was recognised in the income statement and presented as "loss on early redemption of bonds" in the income statement as part of "finance expense".

Upon default in payment the Bonds bear a default interest rate of 6.2% per annum.

The movement of the liability component of the convertible bonds during the year is as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Beginning of financial year	**1,225,723**	1,220,030
Interest expense (Note 8)	**36,046**	82,130
Default interest expense (Note 8)	**45,960**	–
Loss on early redemption of convertible bonds (Note 8)	**39,289**	–
Currency translation loss/(gain) (Note 8)	**33,291**	(76,437)
End of financial year (Note 19)	**1,380,309**	1,225,723

The movement of the derivative financial instrument of the convertible bonds during the year is as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Beginning of financial year	**3,583**	17,861
Gain on revaluation of derivative financial instrument (Note 5)	**–**	(13,400)
Gain on derecognition of derivative financial instrument (Note 5)	**(3,394)**	–
Currency translation difference (Note 8)	**(189)**	(878)
End of financial year	**–**	3,583

21. SHARE CAPITAL

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 1,400,500,000 (2008: 1,400,500,000) shares with a par value of US$0.06 (2008: US$0.06) per share.

(b) Issued ordinary share capital

	No of ordinary shares		Amount	
	2009	2008	**2009**	2008
			RMB'000	RMB'000
Group and Company				
Beginning and end of financial year	**636,473,380**	636,473,380	**314,749**	314,749

All issued ordinary shares are fully paid.

(c) Share options

Share options are granted to employees of the Group under the Celestial Employee Share Option Scheme (the "Scheme"), which was approved by the members of the Company at an Extraordinary General Meeting on 21 November 2003.

The exercise price of the granted options is equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the date of grant of the share options; or at a discount to market price (subject to a maximum discount of 20%).

Options which are fixed at the Market Price ("Market Price Option") may be exercised after the 1st anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the 2nd anniversary from the date of grant of the option ("Incentive Option"). Options granted under the Scheme will have a life span of 10 years for options granted to Group Employees (other than non-executive directors and/or employees of associated companies) and 5 years for options granted to non-executive directors and/or employees of associated companies. In no circumstances shall the exercise price be less than the nominal value of a share. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 27 August 2004, options on 47,600,000 shares with an exercise price of S$0.30 per ordinary share were granted pursuant to the Scheme ("2004 Options"). The 2004 Options are exercisable from 27 August 2005 and expire on 26 August 2014.

21. SHARE CAPITAL (cont'd)

(c) Share options

Movement in the number of unissued ordinary shares under options and their exercise prices are as follows:

Group and Company	**Number of ordinary shares under options**						
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
Financial year ended 31 December 2009							
2004 Options	5,300,000	–	–	–	5,300,000	S$0.30	27.8.2005 – 26.8.2014
Financial year ended 31 December 2008							
2004 Options	7,600,000	–	(2,300,000)	–	5,300,000	S$0.30	27.8.2005 – 26.8.2014

As at 31 December 2009, outstanding options on 5,300,000 shares (2008: 5,300,000) are exercisable.

There are no new options granted in 2009 and 2008. The fair value of options granted on 27 August 2004, determined using the Binomial option-pricing model was RMB24,859,000. The significant inputs into the model were share price of S$0.285 at the valuation date, exercise price shown above, standard deviation of expected share price returns of 50%, option life shown above and annual risk-free interest rate of 2.53%. The volatility measured at the standard deviation of expected share price returns takes into consideration the historical volatility of comparable companies operating in the similar industry as the Company for the period commensurate with the expected life of the options.

(d) Share option reserve

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Beginning of financial year	**2,768**	3,969
Transfer to retained earnings on forfeiture of share options	**–**	(1,201)
End of financial year	**2,768**	2,768

22. NON-DISTRIBUTABLE RESERVES

Composition and movement

	Group	
	2009	2008
	RMB'000	RMB'000
General reserve fund		
Beginning of financial year	**177,567**	123,076
Transfer from retained earnings	**19,042**	54,491
End of financial year	**196,609**	177,567

Subsidiaries established in the PRC (the "PRC Subsidiaries") are required to maintain certain statutory reserves by transferring from their profit after tax in accordance with the relevant laws and regulations and, if applicable, Articles of Association of the PRC Subsidiaries, before any dividend is declared and paid.

(i) General reserve fund

The PRC Subsidiaries are required to transfer at least 10% of their profit after tax as reported in their PRC statutory financial statements, to the general reserve fund until the balance reaches 50% of their respective registered capital, where further transfers will be at their directors' recommendation. The general reserve fund can only be used to make up prior year losses or to increase share capital, provided that the fund does not fall below 25% of the registered capital.

For the current financial year, the board of directors of the PRC Subsidiaries approved to appropriate 10% of their profit after tax to general reserve fund amounting to RMB19,042,000 (2008: RMB54,491,000).

(ii) Staff and workers' bonus and welfare fund

The PRC Subsidiaries are required to appropriate staff and workers' bonus and welfare fund from their profit after tax as reported in their PRC statutory financial statements. The percentage to be appropriated is determined by the board of directors of the companies. The staff and workers' bonus and welfare fund can only be used for special bonuses and collective welfare benefits to staff and workers. The fund could not be reversed or distributed to the owners (except upon liquidation). The fund, due to their nature, is classified as other payables in the consolidated balance sheet and correspondingly debited to employee benefit expense in the consolidated income statement.

For the current financial year, the board of directors of the PRC Subsidiaries approved to appropriate RMB100,000 (2008: RMB100,000) from their profit after tax to the staff and workers' bonus and welfare fund.

23. DIVIDENDS

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Ordinary dividends paid		
Final dividend paid in respect of financial year ended 31 December 2007 of S$0.02 per share	**–**	65,165

24. OPERATING LEASE COMMITMENTS – WHERE THE GROUP IS A LESSEE

The Group leased various office premises under non-cancellable operating lease agreements. The leases have varying terms.

The future minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Not later than one financial year	**–**	812

25. CAPITAL COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Property, plant and equipment	**74,110**	529,125

Capital expenditures approved by the Board of Directors at the balance sheet date but not contracted for, are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Property, plant and equipment	**136,244**	188,981

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group operates locally in PRC. It is exposed to certain foreign exchange risk as it maintains certain cash and cash equivalents and borrowings in foreign currencies.

Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

26. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD	**RMB**	**Other**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009				
Financial assets				
Cash and cash equivalents	87,836	272,014	1,966	361,816
Trade and other receivables	108	689,458	–	689,566
	87,944	961,472	1,966	1,051,382
Financial liabilities				
Trade and other payables	2,300	64,729	–	67,029
Borrowings	1,380,309	204,000	–	1,584,309
	1,382,609	268,729	–	1,651,338
Net financial (liabilities)/assets	(1,294,665)	692,743	1,966	(599,956)
Less: Net financial assets denominated in the respective entities functional currencies	–	(692,743)	–	(692,743)
Currency exposure	**(1,294,665)**	**–**	**1,966**	**(1,292,699)**
At 31 December 2008				
Financial assets				
Cash and cash equivalents	128,352	681,846	1,668	811,866
Trade and other receivables	–	446,927	–	446,927
	128,352	1,128,773	1,668	1,258,793
Financial liabilities				
Trade and other payables	–	155,622	–	155,622
Borrowings	1,225,723	–	–	1,225,723
Derivative financial instrument	3,583	–	–	3,583
	1,229,306	155,622	–	1,384,928
Net financial (liabilities)/assets	(1,100,954)	973,151	1,668	(126,135)
Less: Net financial assets denominated in the respective entities functional currencies	(493)	(973,151)	–	(973,644)
Currency exposure	**(1,101,447)**	**–**	**1,668**	**(1,099,779)**

26. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD	**RMB**	**Other**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009				
Financial assets				
Cash and cash equivalents	87,834	–	1,781	89,615
Trade and other receivables	–	1,763,561	–	1,763,561
	87,834	1,763,561	1,781	1,853,176
Financial liabilities				
Trade and other payables	2,300	1,375	–	3,675
Borrowings	1,380,309	–	–	1,380,309
	1,382,609	1,375	–	1,383,984
Net financial (liabilities)/assets	(1,294,775)	1,762,186	1,781	469,192
Less: Net financial assets denominated in Company's functional currencies	–	(1,762,186)	–	(1,762,186)
Currency exposure	**(1,294,775)**	**–**	**1,781**	**(1,292,994)**
At 31 December 2008				
Financial assets				
Cash and cash equivalents	127,858	–	1,475	129,333
Trade and other receivables	–	1,761,721	–	1,761,721
	127,858	1,761,721	1,475	1,891,054
Financial liabilities				
Trade and other payables	–	29,941	–	29,941
Borrowings	1,225,723	–	–	1,225,723
Derivative financial instrument	3,583	–	–	3,583
	1,229,306	29,941	–	1,259,247
Net financial (liabilities)/assets	(1,101,448)	1,731,780	1,475	631,807
Less: Net financial assets denominated in Company's functional currencies	–	(1,731,780)	–	(1,731,780)
Currency exposure	**(1,101,448)**	**–**	**1,475**	**(1,099,973)**

26. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

If the SGD change against the RMB by 5% (2008: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Decrease/ (increase) loss after tax	Increase/ (decrease) profit after tax
	2009	2008
	RMB'000	RMB'000
Group		
SGD against RMB		
– strengthened	**(64,733)**	(110,095)
– weakened	**64,733**	110,095
Company		
SGD against RMB		
– strengthened	**(64,739)**	(110,145)
– weakened	**64,739**	110,145

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group and the Company is not exposed to significant price risk in 2009.

At 31 December 2008, the Group's and Company's price risk mainly arose from its derivative financial instruments embedded in the convertible bonds. The fair value of the derivative financial instruments at each reporting date was determined on a market basis using the binomial model (the "Model"). The fair value of the derivative financial instruments would fluctuate depending on the movement in the Company's market share price and other parameters.

At 31 December 2008, if the Company's share price changed by 50% with all other variables including tax rate being held constant, the profit after tax will increase/(decrease) by:

	2008
	RMB'000
Group and Company	
– share price increased by	(5,636)
– share price decreased by	3,183

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Currently, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's policy is to maintain all its borrowings in fixed rate instruments.

26. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

For trade receivables, there is no significant concentration of credit risk due to the Group's large number of customers. The Group has policies to ensure that sale of goods are made to customers with an appropriate credit history and to maintain financial assets with reputable financial institutions. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that is approved by management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level. The Group has no major concentration of credit risk.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

(i) Financial assets that are neither past due nor impaired.

Bank deposits that are neither past due nor impaired are mainly deposits placed with financial institutions with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Past due < 3 months	**94,788**	1,403

(c) Liquidity risk

The Group and Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments. As disclosed in Note 2.2 and 20, the Group and the Company have defaulted on the early redemption of convertible bonds with a carrying value of RMB1,380,309,000 at 31 December 2009.

As at 31 December 2009 and 2008, the Group's and Company's financial liabilities have a contractual maturity of less than one year from the balance sheet date.

26. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's and Company's strategies are to maintain gearing ratios within 35% to 45% and 60% to 70% respectively.

The gearing ratio is calculated as borrowings divided by total equity and borrowings.

The gearing ratios are computed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings	**1,584,309**	1,225,723	**1,380,309**	1,225,723
Total equity	**2,181,976**	2,185,157	**469,192**	632,556
Equity and borrowings	**3,766,285**	3,410,880	**1,849,501**	1,858,279
Gearing ratio	**42.1%**	35.9%	**74.6%**	66.0%

The Group and the Company do not need to comply with any externally imposed capital requirements for the financial years ended 31 December 2009 and 2008.

27. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Purchases of services

	The Group	
	2009	2008
	RMB'000	RMB'000
Professional fees paid	**646**	945

The professional fees of RMB646,000 (2008: RMB945,000) were paid to firms in which directors of the Company have an interest in.

27. RELATED PARTY TRANSACTIONS (cont'd)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Salaries and short term employee benefits	**6,305**	31,153

Included in the above is total compensation to directors of the Company amounting to RMB4,320,000 (2008: RMB29,368,000).

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the management team that are used to make strategic decisions. The management team (the "Management Team") comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business entity.

The Management Team considers the business from a business segment perspective. The Group's reportable segments are as follows:

(i) Health food and beverages products
(ii) Industrial proteins products
(iii) Bio-fuel products.

The Group's principal operating segments operates in the PRC.

There are no inter-segment sales. The revenue from external parties reported to the Management Team is measured in a manner consistent with that in the statement of comprehensive income.

The Management Team assesses the performance of the operating segments based on a measure of profit before income tax.

28. SEGMENT INFORMATION (cont'd)

The segment information provided to the Management Team for the reportable segments for the year ended 31 December 2009 is as follows:

	Health food and beverages products RMB '000	Industrial proteins products RMB '000	Bio–fuel products RMB '000	Total RMB '000
Group				
Sales to external parties	853,703	657,337	154,540	1,665,580
Profit/(loss) before income tax	84,043	87,386	(8,233)	163,196
Depreciation	31,317	93,882	17,664	142,863
Amortisation	–	–	2,333	2,333
Write-down of inventories	97,360	1,935	12,665	111,960
Interest income	1,051	270	168	1,489
Income tax (credit)/expense	(989)	6,139	–	5,150
Total assets	1,526,265	1,641,366	575,773	3,743,404
Additions to:				
– property, plant and equipment	456,239	–	514	456,753
– intangible assets	–	–	70,000	70,000
Total liabilities	52,192	10,524	522	63,238

The segment information provided to the Management Team for the reportable segments for the year ended 31 December 2008 is as follows:

	Health food and beverages products RMB '000	Industrial proteins products RMB '000	Bio-fuel products RMB '000	Total RMB '000
Group				
Sales to external parties	1,434,861	866,649	–	2,301,510
Profit/(loss) before income tax	447,353	193,622	(10,494)	630,481
Depreciation	13,967	49,136	2,238	65,341
Interest income	6,914	1,729	1,436	10,079
Income tax expense	67,110	29,051	–	96,161
Total assets	1,522,644	1,509,674	428,897	3,461,215
Additions to:				
– property, plant and equipment	297,745	528,691	172,751	999,187
Total liabilities	63,927	13,755	69,509	147,191

28. SEGMENT INFORMATION (cont'd)

A reconciliation of profit before income tax for all segments to the Group's profit before income tax is provided as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax for all segments	**163,196**	630,481
Unallocated:		
Legal and professional fees	**(3,385)**	(4,190)
Directors remuneration	**(4,095)**	(29,045)
Gain on de-recognition/revaluation of derivative financial instrument	**3,394**	13,400
Finance expense	**(158,396)**	(4,815)
Exchange gain	**1,055**	(6,657)
Others	**200**	(3,855)
Profit before income tax	**1,969**	595,319

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Management Team with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Management Team monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other than cash and cash equivalents that are for non-operating purposes.

	2009 RMB'000	2008 RMB'000
Segment assets for all segments	**3,743,404**	3,461,215
Unallocated:		
Cash and cash equivalents	**89,615**	129,333
Others	**295**	1,047
	3,833,314	3,591,595

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Management Team with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than accrual for corporate expenses, borrowings and derivative financial instruments.

	2009 RMB'000	2008 RMB'000
Segment liabilities for all segments	**63,238**	147,191
Unallocated:		
Borrowings	**1,584,309**	1,225,723
Derivative financial instrument	**–**	3,583
Accrual for corporate expenses	**3,675**	29,941
Others	**116**	–
	1,651,338	1,406,438

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

FRS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

(b) FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (Revised) prospectively to all business combinations from 1 January 2010.

30. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Celestial NutriFoods Limited on 29 March 2010.

Statistics of Shareholders

As at 12 March 2010

INFORMATION ON SHARE CAPITAL

Authorised share capital	:	US$84,030,000.00
Issued and fully paid-up capital	:	US$38,188,402.80
Number of shares	:	636,473,380
Class of shares	:	Ordinary share of US$0.06 each
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	11	0.19	2,078	–
1,000 – 10,000	2,474	42.29	16,624,419	2.61
10,001 – 1,000,000	3,324	56.82	219,856,995	34.54
1,000,001 and above	41	0.70	399,989,888	62.85
	5,850	100.00	636,473,380	100.00

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 12 March 2010 are as follows:-

	No. of ordinary shares of US$0.06 each			
Name	Direct Interest	%	Deemed Interest	%
Ming Dequan	180,597,550	28.37	–	–
DWS Invest	33,000,000	5.18	–	–
UBS AG[1]	15,850,039	2.49	19,671,428	3.09

Note:

[1] Deemed interest arising by virture of Section 7 of the Companies Act, Cap.50.

FREE FLOAT

As at 12 March 2010, approximately 57.95% of the issued shares of the Company was held in the hands of the public (on the basis of information available to the Company). The Company did not hold any treasury shares as at 12 March 2010.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

TWENTY LARGEST SHAREHOLDERS

	Shareholder's Name	No. of Shares	%
1	HL Bank Nominees (Singapore) Pte Ltd	182,164,550	28.62
2	HSBC (Singapore) Nominees Pte Ltd	34,081,320	5.35
3	Citibank Nominees Singapore Pte Ltd	31,020,400	4.87
4	Zhao Xianghua	18,428,300	2.90
5	OCBC Securities Private Ltd	15,837,236	2.49
6	UOB Kay Hian Pte Ltd	15,818,000	2.49
7	Phillip Securities Pte Ltd	14,867,000	2.34
8	DBS Nominees Pte Ltd	9,281,950	1.46
9	Raffles Nominees Pte Ltd	8,560,600	1.35
10	Nomura Singapore Limited	6,300,000	0.99
11	DBS Vickers Securities (Singapore) Pte Ltd	3,733,000	0.59
12	United Overseas Bank Nominees Pte Ltd	3,585,970	0.56
13	Mayban Nominees (Singapore) Pte Ltd	3,255,000	0.51
14	DBSN Services Pte Ltd	3,175,000	0.50
15	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,090,000	0.49
16	Koh Beng Guan	3,020,000	0.47
17	Ju Kai Meng	3,000,000	0.47
18	Lim Choon Kong	2,600,000	0.41
19	Tan Sia Keng	2,439,000	0.38
20	Kim Eng Securities Pte. Ltd.	2,288,000	0.36
	Total:	366,545,326	57.60

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Celestial NutriFoods Limited (the "Company") will be held at Falcon Room, Level 3 Laguna National Golf & Country Club, 11, Laguna Golf Green, Singapore 488047 on 26 April 2010 at 2:30pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the financial year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Bye-law 86(1) of the Bye-laws of the Company:

   Mr. Ma Wing Yun Bryan **(Resolution 2)**
   Mr. Loo Choon Chiaw **(Resolution 3)**

3. To approve the payment of Directors' fees of RMB1,307,310 for the financial year ended 31 December 2009 (2008: RMB1,177,662). **(Resolution 4)**

4. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

6. Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company

   "That authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue ordinary shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution 6 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution 6 was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 50% of the issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) does not exceed 20% of the issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below); and

(2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST"), for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution 6 is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 6 is passed; and

(ii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution 6, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 6)**

7. **AUTHORITY TO ALLOT AND ISSUE SHARES UP TO ONE HUNDRED PER CENT. (100%) OF THE TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES OF THE COMPANY ON A PRO-RATA BASIS BY WAY OF A RENOUNCEABLE ISSUE**

"That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue Shares whether by way of rights, bonus or otherwise; and/or

(ii) make or grant Instruments that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution 7 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution 7 was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution 7 on a pro rata basis to shareholders of the Company by way of a renounceable issue (other than a bonus issue) (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7) does not exceed 100% (or such other limit permitted by the SGX-ST from time to time) of the issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), and in determining whether such 100% limit has been reached, all Shares to be issued pursuant to this Resolution 7 or Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7 or Resolution 6) shall be taken into account (unless the SGX-ST's prevailing regulations and requirements otherwise provide);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution 7 is passed, after adjusting for:

  (i) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 7 is passed; and

  (ii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution 7, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 7 shall continue in force until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (ii)] **(Resolution 7)**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES ON A NON PRO-RATA BASIS AT A DISCOUNT EXCEEDING 10% BUT NOT MORE THAN 20%**

"That without prejudice to the generality of, and pursuant and subject to the approval of the general mandate to issue Shares set out in Resolution 6, authority be and is hereby given to the Directors of the Company to issue Shares other than on a pro rata basis to shareholders of the Company, at a discount to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), exceeding 10% but not more than 20%, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit,

provided that:

(a) in exercising the authority conferred by this Resolution 8, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 8 shall continue in force until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (iii)] **(Resolution 8)**

9. **AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES UNDER THE CELESTIAL EMPLOYEE SHARE OPTION SCHEME**

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the Celestial Employee Share Option Scheme (the "Scheme") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued Shares of the Company excluding treasury shares from time to time."
[See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Tan Ping Ping
Company Secretary

Singapore, 9 April 2010

Explanatory Notes:

(i) Ordinary Resolution 6 is to empower the Directors, from the date of the passing of Ordinary Resolution 6 to the date of the next Annual General Meeting, to issue Shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 50% of the issued Shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% of the issued Shares (excluding treasury shares) for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 6, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-laws. Rule 806 of the SGX-ST Listing Manual presently allows a listed issuer to seek a general mandate from shareholders for inter alia issuance of new shares and convertible securities on a pro-rata basis amounting to not more than 50% of its issued share capital (excluding treasury shares).

(ii) Ordinary Resolution 7 is to empower the Directors, to increase the 50% limit in Ordinary Resolution 6 to 100% only for pro-rata renounceable rights issues pursuant to the general mandate to issue Shares set out in Ordinary Resolution 6, from the date of the passing of Ordinary Resolution 7 to 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than the date of the next Annual General Meeting, to issue Shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 100% of the issued Shares (excluding treasury shares) in the capital of the Company, on a pro rata basis to shareholders by way of a renounceable issue. For the purpose of determining the aggregate number of Shares that may be issued, Shares issued pursuant to Ordinary Resolution 6 shall also be counted in determining whether the 100% limit has been reached, and the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 7 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-laws. On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "Press Release"); the new measures include allowing issuers to issue up to 100% of its issued share capital via a pro rata renounceable rights issue, subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in its annual report. The Press Release states that this new measure will be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

(iii) Ordinary Resolution 8 is to empower the Directors, pursuant to the general mandate to issue Shares set out in Ordinary Resolution 6, to issue Shares other than on a pro rata basis to shareholders of the Company, at a discount to the weighted average price of the Shares on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), exceeding 10% but not more than 20%. In exercising the authority conferred by Ordinary Resolution 8, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-laws. Rule 811(1) of the SGX-ST Listing Manual presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day). The Press Release also included a new measure allowing issuers to undertake placements of new shares using the general mandate to issue shares, priced at discounts of up to 20%, subject to the conditions that the issuer seeks shareholders' approval in a separate resolution at a general meeting to issue new shares on a non pro-rata basis at a discount exceeding 10% but not more than 20%, and the general share issue mandate resolution is not conditional on this resolution. Ordinary Resolution 8 has been included following this new measure. The Press Release states that this new measure will also be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

Notes:

1. If a Depositor (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) wishes to attend and vote at the Annual General Meeting as the Depositor's proxy, he must be shown to have shares entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited, at least 48 hours before the time of the Annual General Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, then the Depositor Proxy Form must be deposited at the office of the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 8 Cross Street #11-00 PWC Building, Singapore 048424, at least 48 hours before the time of the Annual General Meeting.

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Equal Brand Design

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