China Huiyuan Juice Group Limited

中國滙源果汁集團有限公司 *

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1886

2007 Annual Report

* For identification purpose only

Contents

Corporate Information

Board of Directors

Executive Directors
Mr. ZHU Xinli *(Chairman)*
Mr. JIANG Xu
Mr. WU Chongkuan

Non-executive Directors
Mr. SUN Qiang Chang
Mr. QIN Peng

Independent Non-executive Directors
Mr. WANG Bing
Ms. ZHAO Yali
Mr. TSUI Yiu Wa, Alec
Mr. SONG Quanhou

Company Secretary
Mr. NG Yuk Keung

Qualified Accountant
Mr. NG Yuk Keung *(HKICPA, FCCA, ACA)*

Authorized Representatives
Mr. ZHU Xinli
1# Huiyuan Villa
Beixiaoying Town, Shunyi District, Beijing, PRC

Mr. NG Yuk Keung *(HKICPA, FCCA, ACA)*
Flat E, 3/F, BLK 6
Castello, Shatin, Hong Kong

Financial Management and Audit Committee
Mr. TSUI Yiu Wa, Alec *(Chairman)*
Mr. SUN Qiang Chang
Mr. WANG Bing

Remuneration and Nomination Committee
Mr. QIN Peng *(Chairman)*
Mr. TSUI Yiu Wa, Alec
Mr. WANG Bing

Registered Office
Scotia Centre
4th Floor
P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

Head Office
Huiyuan Road, Beixiaoying Town, Shunyi District
Beijing, PRC

Registered Address in Hong Kong
Level 16, Cheung Kong Center
2 Queen's Road Central, Hong Kong

Company Website
www.huiyuan.com.cn

Principal Share Registrar and Transfer Office
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

Listing Exchange Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code:	1886
Board lot:	500 shares

Principal Bankers

ABN AMRO Bank

Bank of Communications
Hong Kong Branch

Bank of China
Huairou Sub-Branch

Bank of Communications
Huaiying Sub-Branch

Financial Highlights

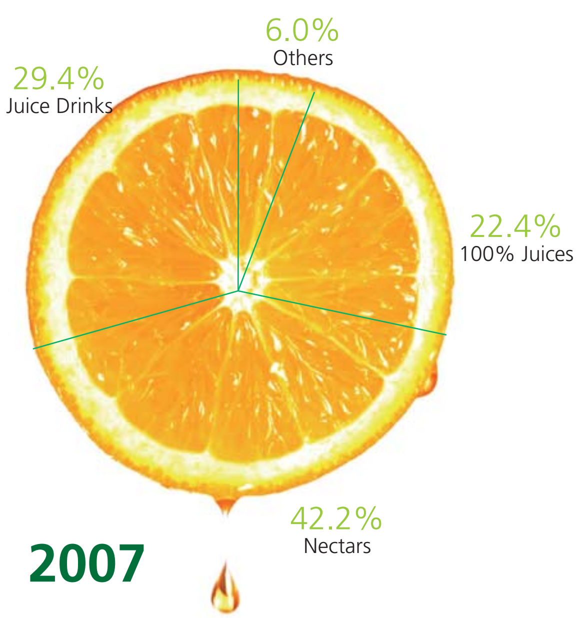
Comparison of results of 2007 and 2006

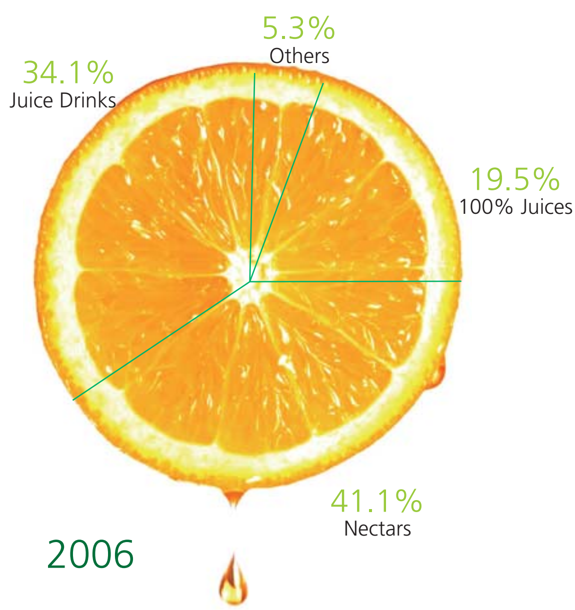
	For the year ended 31 December (RMB million)		
	2007	2006	Change %
Revenue	**2,656.3**	2,066.3	28.6
Cost of sales	**(1,707.1)**	(1,390.4)	22.8
Gross profit	**949.2**	675.9	40.4
Profit before income tax	**677.6**	230.7	193.7
Interest income from subscription monies from initial public offering of shares	**206.8**	—	—
Fair value change in the conversion right of Convertible Bonds	**136.1**	—	—
Profit attributable to equity holders	**640.2**	221.6	188.9
EBITDA	**920.7**	428.7	114.7
Earnings per share (RMB) (Note) — basic	**0.469**	0.268	75.0
— diluted	**0.359**	0.268	34.0

Note:

Please refer to Note 36 to the Consolidated Financial Statements for the calculation of earnings per share.

Sales by product





Financial Highlights

Financial ratio

	For the year ended 31 December 2007	2006	Change
Return on equity	**13.7%**	14.3%	-4.2%
Return on assets	**9.3%**	6.3%	47.6%
Gearing ratio (total debt/total equity) (Note 1)	**31.2%**	56.5%	-44.8%

Operating ratio (Note 2)

	For the year ended 31 December 2007	2006	Change
Turnover of finished goods	**16 days**	16 days	—
Turnover of raw materials	**173 days**	148 days	25 days
Turnover of trade receivables	**32 days**	37 days	-5 days
Turnover of trade payables	**59 days**	88 days	-29 days

Note 1: The total debt includes total borrowings of RMB511.3 million as at 31 December 2007 (as at 31 December 2006: RMB873.9 million) and convertible bonds of RMB945.2 million as at 31 December 2007 (as at 31 December 2006: nil).

Note 2: The turnover of finished goods as at 31 December is calculated as the balance of finished goods as at 31 December divided by cost of sales for the year multiplied by 365 days.

The turnover of raw materials as at 31 December is calculated as the balance of raw materials as at 31 December divided by raw materials used for the year multiplied by 365 days.

The turnover of trade receivables as at 31 December is calculated as the total balance of trade receivables and bills receivable as at 31 December divided by sales for the year multiplied by 365 days.

The turnover of trade payables as at 31 December is calculated as the total balance of trade payables and bills payable as at 31 December divided by cost of sales for the year multiplied by 365 days.

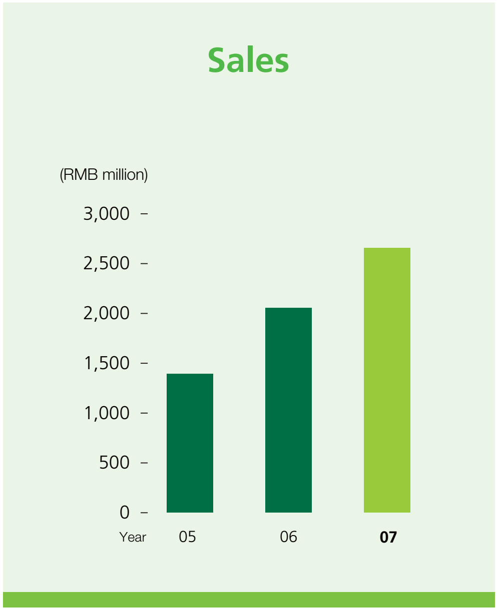
Five-year financial summary

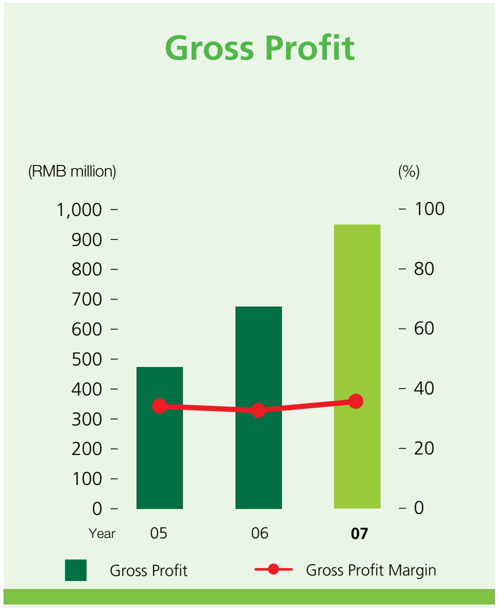
	For the year ended 31 December (RMB million) 2007	2006	2005	2004	2003 (note 3)
Results					
Revenue	**2,656.3**	2,066.3	1,392.1	1,158.6	130.1
Gross profit	**949.2**	675.9	474.2	406.0	33.1
Profit for the year	**640.2**	221.0	110.2	23.2	(15.7)
Gross profit margin	**35.7%**	32.7%	34.1%	35.0%	25.4%
Net profit margin	**24.1%**	10.7%	7.9%	2.0%	N/A
Profit attributable to equity holders of the Company	**640.2**	221.6	107.5	18.3	(13.8)

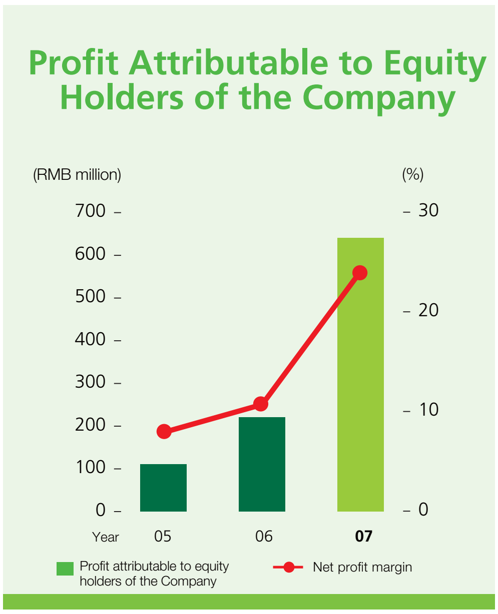
	As at 31 December (RMB million) 2007	2006	2005	2004	2003
Assets, liabilities and equity					
Total assets	**6,887.2**	3,496.4	3,776.0	3,670.5	3,518.5
Total liabilities	**2,226.0**	1,949.0	2,162.3	2,183.5	2,184.1
Equity attributable to equity holders of the Company	**4,661.2**	1,547.4	1,555.4	1,367.1	1,252.1
Minority interests	**—**	—	58.3	119.9	82.4

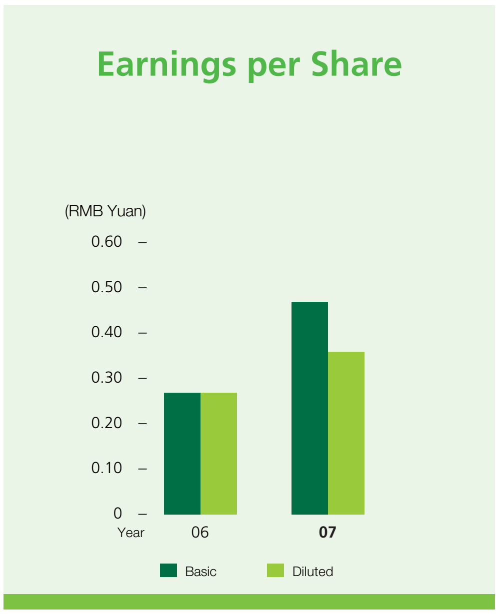
Note 3: Our results for 2003 are not comparable to our results for 2004, 2005, 2006 and 2007. For further information, see section headed "Financial Information – Factors affecting comparability" as set out in the Prospectus.

Financial Highlights









Becoming an icon in fruit juice market Attaining the state-of-the-art manufacturing technology

ZHU Xinli
Chairman

Chairman's Statement

Year 2007 is a remarkable year to China Huiyuan Juice Group Limited ("Huiyuan Juice", together with its subsidiaries referred to as the "Group"). The Group was successfully listed on the Main Board of Hong Kong Stock Exchange on 23 February 2007, through which it has gained access to the international capital market, expanded the shareholders base and strengthened its capital base which in turn have underpinned a solid foundation for the Group's business development in the future. Capitalizing on the opportunities arising from its listing, the Group has become actively expanding throughout the year. We achieved splendid development in product innovation, production capacity expansion, sales and exploration of new markets, which have reinforced the leading market position of Huiyuan's 100% juices and nectars.

Operating results

We achieved satisfactory operating results in 2007, demonstrating that our operating strategies to strengthen our brand name recognition, to increase our product range and to expand our production network have continued to increase consumer confidence, which in turn further promoted our sales. For the year ended 31 December 2007, the Group's revenue amounted to RMB2,656.3 million, an increase of 28.6% over 2006. The increase in our revenue was mainly due to the continued growth of the juice market, and our 100% juice product category occupies a leading position in the market, resulting in our steadily increasing turnover. Profit attributable to our shareholders increased by 188.9% to RMB640.2 million in 2007 as compared to 2006.

Leading position in the market

Leveraging on our extensive distribution network and sophisticated sales channel management, we continued to focus our efforts and investments on enhancing the value of the Huiyuan brand and promoting it as the best juice brand in China through further expansion of production and sales network expansion and introduction of new products. According to the survey conducted by AC Nielsen in December 2007, the market share (by sales volume) of our 100% juices and nectars in China increased by 1.8 percentage points and 0.8 percentage points to 42.6% and 39.6%, respectively, enabling the Group to continue to enjoy a leading position in these two markets and enhance its status as a dominant player in the overall juice market.

We launched various new products in 2007, including "C 'Ta' V 'Ta'" range of 100% juice, the "Quan You" range of fruit and vegetable nectars, the "Kiwi Super Fruit" range of juice drinks and a range of children's juice drinks under the "Le Le Yuan" brand name, to meet different needs and favour of different consumer group. Among such new products, the "Kiwi Super Fruit" range of juice drinks was awarded as "2007 Most Innovative Product in China" (2007中國最具創新產品獎) at the 2007 China Marketing Grand Ceremony (2007營銷盛典). In order to further strengthen our research and development capabilities for new products, we entered into an agreement with China Agricultural University to jointly establish a research and development center.

Chairman's Statement

Presences in the industry

In order to capture more raw materials, get closer to consumers, and lower the transportation costs, we have built plants rapidly and extensively in Dezhou in Shandong, Shulan in Jilin, Jinzhou in Liaoning, Nanfeng in Jiangxi, Youyu in Shanxi, Guilin in Guangxi, Tongcheng in Anhui, Yancheng in Jiangsu and Qiqihaer in Heilongjiang during the year. The new plants will commence production before end of the first quarter of this year, enabling us to boost the sales further, thus capturing more market shares and sharpen our competitiveness.

Optimizing product distribution and sales network is one of the most important strategies for the Group. During the period under review, we have established over 200 sales offices and employed 1,425 additional sales representatives to further promote sales of various products.

High quality assurance

The Group always adheres to the motto of "Quality is vital to the sustainability of a corporate" and ensures the high quality of our products. All of our subsidiaries were well recognized by the ISO90001 certification, Food Safety Management Systems QS certification and HCCP System certification. To be responsible for consumers and to exhibit the Company's sense of social responsibility, the Group signed the "100 National Food Enterprises' Commitment and Promotion Regarding Food Safety" (《中國百家食品企業關於食品安全的承諾和倡儀》) together with other food enterprises at the International Food Safety Summit 2007 (2007年國際食品安全高峰論壇) and was highly appreciated by Dr. Margaret Chan, Director-General of World Health Organization (WHO). We have strictly followed each of the national food safety standards and have produced healthy and reliable beverages for our consumers. Meanwhile, the Group was highly appreciated by Mr. Michael O. Leavitt, the Secretary of U.S. Department of Health and Human Services and Dr. Andrew von Eschenbach, the Commissioner of U.S. Food and Drug Administration (FDA) in recognition of our high quality, safe, clean and healthy products.

From left: Andrew von Eschenbach, Michael O. Leavitt and Zhu Xinli

The Group was also named "2007 China Food Safety Production Model Enterprise" (2007年中國食品安全生產標杆企業) by China's General Administration of Quality Supervision, Inspection and Quarantine. In April 2007, Huiyuan Juice was honored the title of "Core Leading Enterprise in Industrialized Operation of Agricultural at National Level" (農業產業化國家重點龍頭企業) by eight authorities including the Ministry of Agriculture, National Development and Reform Commission, Ministry of Finance and Ministry of Commerce for the second consecutive year.

We strongly believe that food safety is a kind of social responsibilities. It is essential to the national economy and people's livelihood, as well as the sustainability of an enterprise. We continue to adhere to such social responsibility and uphold the importance of promoting food safety on our path of development.

Future development strategies and prospects

Looking forward, despite the increasingly intensive market competition and challenges of cost inflation, the Group remains cautiously optimistic for 2008.

With the increasing per capita disposable income and improving living standards, the Chinese consumers have become more health conscious, resulting in an increasing demand for high quality natural and healthy beverages, such as fruit and vegetable juices. The upcoming 2008 Olympic Games will also create a new momentum for the beverage industry in China.

According to Euromonitor, the Chinese juice and beverage market in 2007 experienced steady growth. Fruit and vegetable juice continued to grow at the fastest pace year-on-year in China. Euromonitor expects the Chinese fruit and vegetable juice market will continue to grow at a 14.5% compound annual growth rate to 19.1 billion liters in 2012.

The Group, as the leading fruit and vegetable juice producer in China, is in a strong position to capture the opportunities offered by the growing market. We have been making strategic plans for product development, capacity increase, sales network optimization and new market exploration in order to further strengthen our brand recognition, enhance our sales network and expand our production scale. With the commencement of production of nine new plants at strategically planned locations, the Group will be able to further expand its geographical coverage and enhance its presence in target markets. The new plants will also complement our overall production scale and optimize our utilization of internal resources. Such benefits will be gradually apparent in 2008.

Chairman's Statement

Furthermore, we will continue to focus our efforts on market and product development. While promoting juice as part of a healthy diet, we will continue to improve our product mix to satisfy different tastes and preferences of our customers. In addition, we will always adhere to our operation mission to "build a local fruit and vegetable juice market from China's abundant fresh fruits and vegetable supply, encourage juice drinking and promote juice as part of a healthy diet for the good of the consumers". We will also endeavor to bring satisfactory returns to our shareholders.

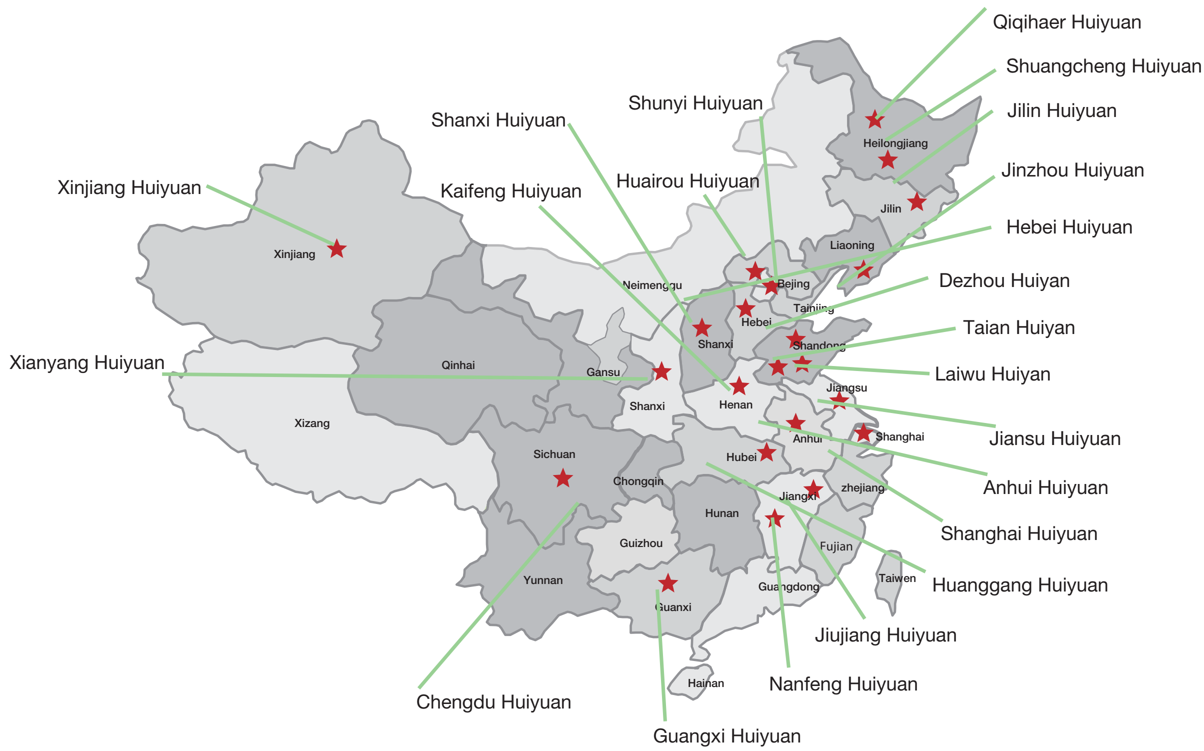
Acknowledgement

The continuing development of Huiyuan Juice hinges on the support and efforts of everyone. On behalf of the Board, I hereby express my heartfelt gratitude to our customers, suppliers, business partners and shareholders for their unfailing support, and in particular to the dedicated efforts of our staff.

ZHU Xinli
Chairman and President

Beijing, 31 March 2008

Plant map


Qiqihaer Huiyuan
Shuangcheng Huiyuan
Jilin Huiyuan
Jinzhou Huiyuan
Hebei Huiyuan
Dezhou Huiyan
Taian Huiyan
Laiwu Huiyan
Jiansu Huiyuan
Anhui Huiyuan
Shanghai Huiyuan
Huanggang Huiyuan
Jiujiang Huiyuan
Nanfeng Huiyuan
Guangxi Huiyuan
Chengdu Huiyuan
Xianyang Huiyuan
Xinjiang Huiyuan
Kaifeng Huiyuan
Shanxi Huiyuan
Shunyi Huiyuan
Huairou Huiyuan
Heilongjiang
Jilin
Liaoning
Bejing
Hebei
Neimenggu
Xinjiang
Qinhai
Gansu
Shanxi
Henan
Shandong
Jiangsu
Shanghai
Anhui
Hubei
Xizang
Sichuan
Chongqin
Hunan
Jiangxi
zhejiang
Fujian
Guizhou
Yunnan
Guanxi
Guangdong
Taiwen
Hainan

2007 Major Awards

In January 2007, Huiyuan Juice was named "Influential Brands of Fashion, Delicacy and Leisure" by "**Influence in 2007. Vogue Grand Ceremony**" series hosted by LifeStyle Magazine.

In February 2007, Huiyuan was awarded "**Designated Supply Unit for the Popular Products in China**" by the Retails and Supplies Committee in China General Chamber and Business Development Centre.

In March 2007, elected by China Brand Research Institute, Huiyuan was nominated as the "**Important National Brand under Protection**".

In April 2007, Huiyuan was once again awarded the "**State-Level Agricultural Leading Enterprise**" jointly by eight ministries including Ministry of Agriculture of People's Republic of China.

In May 2007, Huiyuan was recognized as the "**Top Ten Satisfied Food Brand for the PRC Public**" by China Private Sector Economics Research Association, China Institute of Developmental Strategy Studies and China Modern Enterprise Post.

In July 2007, Huiyuan was ranked "**Top Ten Favourite Brands of Chinese Netizen**" by Internet Society of China and the committee of the Action of Searching and Experiencing Favourite Brands of Chinese Netizen.

In August 2007, Huiyuan was named "**Advanced Quality Control Member Enterprise**" by Beijing Federation of Industry and Commerce and Beijing Bureau of Quality and Technical Supervision.

In September 2007, Huiyuan was awarded "**Award of Contributions of Corporate Social Responsibility**" jointly by the Forum of Corporate Social Responsibility and Harmonious Community Construction and Xinhuanet.

In September 2007, Huiyuan was awarded "**China Branded Products**" by General Administration of Quality Supervision, Inspection and Quarantine. The award is valid for 3 years.

In November 2007, Huiyuan was appraised as Excellent Partner by China Chain Store and Franchise Association (中國連鎖經營協會).

In December 2007, Huyuan received "**2007 Most Innovative Product in China"** award at the 2007 China Marketing Grand Ceremony (2007 中國營銷盛典).

In December 2007, Huiyuan was named "**Advanced Collective in Light Industry of China**".

2007 Social Responsibilities

Huiyuan Juice continues to adhere to our corporate mission of "**receive from society and contribute to society**". In 2007, we not only donated to the New Countryside Construction Project and Project Hope but also sponsored educational, sport, cultural and charitable activities to further live out our sense of social responsibilities.

In February 2007, we donated HKD1 million to the Community Chest of Hong Kong.

In April 2007, we donated RMB600,000 worth of juice and drinks to Shuang Cheng Countryside Primary and Secondary School.

In May 2007, Huiyuan and Niu Fu Tun Village jointly participated in the "One to One" project to develop a harmonious socialistic new countryside; we donated RMB100,000 to the village for infrastructure development.

In August 2007, we assisted the building of Bo Ai Health Clinic of the Red Cross Society of China.

In September 2007, we sponsored the Project Hope in Western China and donated RMB4.6 million to China Youth Development Foundation.

In September 2007, we sponsored the Mother and Child Safety Project and donated RMB400,000.

In November 2007, we commenced the "Give Warmth, Show Your Love" fund raising campaign.

In December 2007, we sponsored the Sweet Family Christmas Charity Auction.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Management Discussion and Analysis

In this section, "we", "us" and "our" refer to the Company and where the context requires, the Group.

Market review

Market review of the China juice beverage market

The juice beverage market in China continued to experience significant growth in 2007 and the fruit and vegetable juices category continues to be the fastest growing soft drink category in China last year. In 2007, fruit and vegetable juice beverages was the second largest sector by value after carbonates, and is expected to experience a faster growth rate compared to carbonates for the period between 2007 and 2012. In volume terms, China sold 9.7 billion litres of fruit and vegetable juices in 2007. The fruit and vegetable juices beverage market can be divided into three segments, namely 100% juices, nectars and juice drinks.

The growth in China's juice beverage market is primarily driven by increasing consumer demand. Increase in urban population and disposable income, and increasing consumer affluence and sophistication, continue to push consumer demand for natural and healthy beverage products such as fruit and vegetable juices. The rapid development of extensive distribution chains in the form of supermarkets, hypermarkets and convenience stores also facilitate increased accessibility to the mass market, which should also increase consumption of juice products in China. The growth of the juice beverage market is concentrated in the urban areas in East China and South China where we have focused on the expansion of our distribution network.

The following table shows the market shares of the top ten 100% juice, nectars and juice drink brands in China as extracted from AC Nielsen's report in December 2007. According to AC Nielsen's report, nectars are juice beverage with juice content of 26–99% and juice drinks are juice beverages with juice content of 25% and below.

	Market Share	
For the year ended 31 December 2007	**Volume (%)**	**Value (%)**
100% Juice		
Huiyuan Juice	**42.6**	**37.9**
Second ranked competitor	**12.1**	**15.7**
Third ranked competitor (two brands)	**10.3**	**11.6**
Fourth ranked competitor	**8.0**	**5.3**
Fifth ranked competitor	**7.4**	**8.0**
Sixth ranked competitor	**5.6**	**4.6**
Next three competitors	**9.2**	**10.8**

For the year ended 31 December 2007	Market Share Volume (%)	Market Share Value (%)
26%–99% Concentration		
Huiyuan Juice[Note(1)]	**39.6**	**36.2**
Second ranked competitor	**38.8**	**36.6**
Third ranked competitor	**4.2**	**4.4**
Fourth ranked competitor	**2.9**	**2.3**
Fifth ranked competitor	**1.2**	**1.0**
Next two competitors	**2.3**	**5.2**
25% & Below Concentration		
First ranked competitor	**29.1**	**27.5**
Second ranked competitor (two brands)	**26.4**	**30.7**
Third ranked competitor (two brands)	**19.6**	**17.8**
Huiyuan Juice[Note(2)]	**6.8**	**6.0**
Fifth ranked competitor	**4.3**	**4.1**
Next two competitors	**2.5**	**2.6**

Notes:

(1) Huiyaun Juice includes Huiyuan, "Guo Xian Mei" series, "Quan You" series and "Xi Qing" series, sub-brands of Huiyuan.

(2) Huiyuan Juice includes Huiyuan and "Zhen" series, a sub-brand of Huiyuan.

"Nielsen Information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packaged goods manufactures and others in the consumer goods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen's opinion as to the value of any security or the advisability of investing in the company."

Business review

For details on our business review, please refer to the Chairman's Statement on pages 6 to 10.

Management Discussion and Analysis

Financial review

Our key financial indicators are as follows:

	Year ended 31 December		Year-on-year change (%)
	2007	2006	
Items of income statement			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**2,656,337**	2,066,275	28.6%
Gross profit	**949,193**	675,930	40.4%
Profit before taxation	**677,605**	230,717	193.7%
EBITDA *(Note 1)*	**920,652**	428,748	114.7%
Profit attributable to equity holders	**640,217**	221,611	188.9%
Interest income from subscription monies from initial public offering of shares	**206,814**	—	—
Fair value change in the conversion right of Convertible Bonds	**136,050**	—	—
Earnings per share (RMB Yuan) *(Note 2)*			
— basic	**0.469**	0.268	75.0%
— diluted	**0.359**	0.268	34.0%
Selected financial ratios			
Gross profit margin (%)	**35.7%**	32.7%	
Margin of profit before taxation (%)	**25.5%**	11.2%	
Margin of profit attributable to equity holders (%)	**24.1%**	10.7%	
Effective tax rate (%)	**5.5%**	4.2%	
Return on equity holders' equity (%)	**13.7%**	14.3%	
Gearing ratio (total debt to total equity) *(Note 3)*	**31.2%**	56.5%	
Inventory turnover (days) *(Note 4)*	**159**	137	

Notes:

(1) EBITDA refers to earnings before interest, tax, depreciation and amortization.

(2) Please refer to Note 36 to the Consolidated Financial Statements for the calculation of earnings per share.

(3) The gearing ratio is based on total debt divided by total equity as at 31 December.

(4) The calculation of inventory turnover (days) is based on the closing inventory balance divided by the cost of sales and multiplied by 365 days.

Sales

In 2007, sales of our core juice products, comprising 100% fruit juices, nectars and juice drinks, increased by 27.7% from RMB1,956.6 million in 2006 to RMB2,497.9 million in 2007. This increase was primarily due to the growth in sales volume across the majority of our core juice products. Our overall juice products sales volume increased by 18.8% from 668,180 tonnes in 2006 to 793,483 tonnes in 2007. At the same time, our average selling price of our juice products in 2007 increased by 7.5% as compared with that in 2006.

In particular, nectars continued to be our main revenue driver accounting for 44.8% of our total juice products sales and 46.3% of our total juice products sales volume in 2007.

Sales of 100% fruit juices increased by 48.1% from RMB402.5 million in 2006 to RMB596.0 million in 2007, due to an increase of 24.2% in sales volume and an increase of 19.2% in average selling price for juices within our 100% fruit juice category. The overall increase in sales of our 100% fruit juices was primarily due to a strong growth in sales volume of our smaller single serving products and a substantial increase in average selling price of our family-sized package products. Overall sales volume increased because of better sales distribution through supermarkets and hypermarkets.

Sales of nectars increased by 31.8% from RMB849.9 million in 2006 to RMB1,120.5 million in 2007 primarily due to a substantial increase in sales volume. The increases were driven by increased sales volume for family-sized package products sold through our increasing network of supermarkets and hypermarkets and other distribution outlets as well as the introduction of new products.

Sales of juice drinks increased by 11.0% from RMB704.2 million in 2006 to RMB781.5 million in 2007, primarily because of a substantial increase in sales volume of our family-sized juice drinks, partially offset by a slight decrease in sales of our smaller single serving juice drinks primarily due to a decrease in sales volume.

Sales of other beverage products increased by 44.5% from RMB109.6 million in 2006 to RMB158.4 million in 2007 as a result of an increase in sales of bottled water and vegetable protein drinks.

Cost of sales

Cost of sales increased by 22.8% from RMB1,390.4 million in 2006 to RMB1,707.1 million in 2007 which was slightly lower as compared to a 28.6% increase in sales for the same periods. The increase in cost of sales was primarily a result of increases in raw material costs due to our increased sales volume. The increase in our raw

Management Discussion and Analysis

material costs was primarily because of (i) an increase of 55.5% in our costs of juice concentrates and purees from RMB300.0 million in 2006 to RMB466.4 million in 2007 due to an increase in our product volume and increase in average price for imported juice concentrates; (ii) a decrease of 21.0% in our costs of sugar from RMB152.5 million in 2006 to RMB120.4 million in 2007 primarily due to a decrease of 12% in the average purchase price of sugar and partial substitution of sugar by fructose; and (iii) an increase of 25.9% in our costs of packaging materials from RMB502.5 million in 2006 to RMB632.6 million in 2007 primarily due to an increase in our production volume.

Gross profit

Our gross profit increased by 40.4% from RMB675.9 million in 2006 to RMB949.2 million in 2007 due to our increased sales. Our gross profit margin increased from 32.7% in 2006 to 35.7% in 2007.

Selling and marketing expenses

Selling and marketing expenses increased by 50.3% from RMB379.0 million in 2006 to RMB569.7 million in 2007 primarily due to an increase in our advertising and promotional costs relating to our products in general which amounted to RMB428.5 million in 2007 as compared to RMB261.6 million in 2006, an increase in transportation and related charges which amounted to RMB102.8 million in 2007 (RMB78.2 million in 2006) which were in line with our increased sales. Increased salaries and benefits for our sales representatives as well as an increase in headcount of our sales representatives to further develop and enhance our sales network also contributed to the increase in our selling and marketing expenses.

Administrative expenses

Administrative expenses increased by 16.1% from RMB114.2 million in 2006 to RMB132.6 million in 2007. The administrative expenses as a percentage of revenue have slightly decreased from 5.5% in 2006 to 5% in 2007.

Other income

Other income decreased by 31.8% from RMB103.4 million in 2006 to RMB70.5 million in 2007 primarily due to the interest income of RMB30.3 million earned from loans to related parties in 2006, which was discontinued in 2007.

Other gains

Other gains represented primarily the income of RMB21.9 million from the exchange rate forward contracts entered into by the Group in 2007, which have been settled as at 31 December 2007.

Finance income/(costs)

Finance costs decreased from RMB55.3 million in 2006 to an income of RMB129.9 million in 2007 primarily as a result of fair value change of conversion rights to the Convertible Bonds amounting to RMB136.1 million and interest income from bank deposits and money market funds of RMB79.3 million, partially offset by an interest expense of RMB50.5 million on the Convertible Bonds for the year ended 31 December 2007.

Income tax expense

Income tax expense increased by 285.6% from RMB9.7 million in 2006 to RMB37.4 million in 2007. The increase was due to an overall increase in our effective tax rate of 4.2% in 2006 to 11.2% in 2007 excluding the interest income earned on the over subscription payments in our global offering and fair value change of conversion rights to the Convertible Bonds, primarily as a result of the expiration of the preferential tax treatment period of certain of our PRC operating subsidiaries including Shunyi Huiyuan, Xinyuan Huiyuan, Shuangcheng Huiyuan, Luzhong Huiyuan and Kaifeng Huiyuan in 2007.

Profit attributable to our equity holders

In 2007, profit attributable to our equity holders increased by 188.9% from RMB221.6 million in 2006 to RMB640.2 million. Margin for profit attributable to our equity holders increased from 10.7% in 2006 to 24.1% in 2007.

Management Discussion and Analysis

Liquidity and Capital Resources

In 2007, our working capital and other capital requirements were principally funded by operations and cash at hand, short term and long term bank borrowings.

The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated:

	Year ended 31 December	
	2007	2006
	(RMB in million)	
Net cash generated from operating activities	**10.1**	293.5
Net cash (used in)/generated from investing activities	**(2,109.6)**	287.9
Net cash generated from/(used in) financing activities	**3,357.3**	(516.6)
Net increase in cash and cash equivalents	**1,257.8**	64.8
Exchange losses on cash and cash equivalents	**(58.4)**	—
Cash and cash equivalents at year end	**1,290.2**	90.8

Gearing ratio (total debt/total equity) of the Group was 31.2% as at 31 December 2007, which represented a decrease of 44.8% as compared to 56.5% recorded in 2006.

Operating activities

Net cash generated from operating activities in 2007 was RMB10.1 million, while we had a profit before tax in 2007 of RMB677.6 million. The difference of RMB667.5 million was primarily due to a RMB139.9 million depreciation of property, plant and equipment, which was offset by a RMB136.1 million change of fair value of the Convertible Bonds, a RMB206.8 million interest income from subscription monies from the Company's global offering of shares completed in February 2007 which is classified as cashflows from financing activities, a RMB216.9 million increase in inventories as a result of our increased sales and purchase of raw materials as at 31 December 2007, a RMB163.3 million increase in prepayments to related parties for purchases of raw materials.

Investing activities

Net cash used in investing activities in 2007 was RMB2,109.6 million as compared to net cash generated from investing activities of RMB287.9 million in 2006 which was primarily a result of a RMB588.1 million used in the purchase of property, plant and equipment, a RMB207.0 million used in the purchase of land use rights, and a RMB1,246.0 million structured banks deposits with maturity dates ranging from 45 days to 100 days.

Financing activities

Net cash generated from financing activities in 2007 was RMB3,357.3 million, as compared to net cash used in financing activities of RMB516.6 million in 2006, which was primarily a result of a RMB3,485.2 million net proceeds from the Company's global offering of shares completed in February 2007 and a RMB206.8 million interest income from subscription monies from such global offering.

Capital Expenditure

Capital expenditures comprised purchases of property, plant and equipment, and additions to land use rights.

During the two years ended 31 December 2006 and 2007, we consistently increased our annual total capital expenditures. The following table sets forth our capital expenditures for the years indicated.

	Year ended 31 December	
	2007	2006
	(RMB in million)	
Purchase of property, plant and equipment	**588.1**	253.2
Purchase of land use rights	**207.0**	42.7
Total capital expenditures	**795.1**	295.9

As at 31 December 2007, we had capital commitments of RMB34.0 million for the purchase of property, plant and equipment.

We expect that our capital expenditures will amount to approximately RMB1,100 million in 2008 which is currently intended to increase production capacity for juice beverages by the addition of new production facilities, the purchase of land use rights and maintenance of our production facilities. We plan to finance our 2008 capital expenditure requirements primarily with part of the net proceeds from our initial public offering and cash generated from our operations.

We have drawn down the full amount of a US$70 million syndicated loan in January 2007. We used (i) US$63 million of the syndicated loan to refinance our Renminbi indebtedness to certain PRC domestic banks; and (ii) the remaining US$7 million to finance our capital expenditure and working capital requirements. The syndicated loan is repayable in five semi-annual installments from January 2010.

Management Discussion and Analysis

Inventory Analysis

Inventories primarily consist of raw materials (including packaging materials, juice concentrates and purees, and additive such as sugars) and finished goods (including juices and other beverage products). Raw materials make up the majority of our inventory. The following table sets forth a summary of our inventory turnover for the periods indicated:

	Year ended 31 December	
	2007	2006
Turnover of inventory (days)[1]	**159**	137

(1) Turnover of inventory represents inventory at the end of the year divided by costs of sales and multiplied by 365 days.

The following table sets forth an inventory turnover day analysis with further breakdown of the inventory balance for finished goods versus raw materials.

	Year ended 31 December	
	2007	2006
Finished goods balance (in RMB million)	**76.3**	60.0
Cost of sales (in RMB million)	**1,707.1**	1,390.4
Turnover days	**16**	16
Raw materials balance (in RMB million)	**665.8**	462.8
Raw materials used (in RMB million)	**1,404.5**	1,141.8
Turnover days	**173**	148
Total inventories (in RMB million)	**742.1**	522.8

As can be seen from the above table, inventory turnover days for finished goods are usually kept within 20 days, in line with industry practice. Inventory turnover days for raw materials are much longer. Raw materials comprise puree, juice concentrate, sugar, packaging materials and other ingredients which can be kept in good condition for over six months due to their longer expiry date. These items have a much longer shelf life as compared to juice finished goods.

Our increased inventory as at 31 December 2007 is primarily a result of our increased sales and because (i) we normally acquire substantial amounts of inventory in the fourth quarter of each year in preparation for the peak production season in the first quarter of the following year; (ii) we stocked up certain fruits purees and juice concentrates in the fourth quarter of 2007 in view of the rising trend of price of such raw materials; and (iii) we acquired a substantial amount of inventory in the fourth quarter of 2007 in preparation for production of a new kiwi fruit drink.

Off-Balance Sheet Transactions

As at 31 December 2007, we had not entered into any off balance sheet transactions.

Pledge of Assets

As at 31 December 2007, none of the property, plant, equipment and land use right of the Group were pledged to secure bank borrowings.

Capital Leases

As at 31 December 2007, we did not have any capital leases.

Market Risk

The activities of the Group are subject to a variety of market risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. Financial risk management is carried out by group treasury which identifies, evaluate and hedges financial risks.

Foreign Exchange Risk

The Group's production depends on import of certain raw materials and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD") and the Euro. The Group is also exposed to foreign currency exchange risk arising from the bank deposits, the Convertible Bonds and long term bank borrowings denominated in the USD. The Group uses forward contract/ derivative instruments to hedge against certain foreign exchange exposures.

At 31 December 2007, if the RMB has weakened/strengthened by 1% against the USD with all other variables held constant, post-tax profit for the year would have been RMB14,565,000 (2006: nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated Convertible Bonds and bank borrowings.

Credit Risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected long-term customers. The Group has policies in place to ensure that trade receivables are followed up on a timely basis. The balance of the trade receivables from the top 5 largest customers is RMB78,718,000 at 31 December 2007 (2006: RMB83,328,000), representing 45% of the total balance of trade receivables at 31 December 2007 (2006: 51%).

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Management Discussion and Analysis

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Unused proceeds from fund raising through issuance of shares or borrowings will be put in short-term deposits with banks in Hong Kong and the PRC. The Group's objective is to maintain adequate cash and cash equivalents and committed credit lines to ensure sufficient and flexible funding is available to the Group.

Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet dates, substantially all of the Group's borrowings were carried at market lending rates. The Group uses forward contract to hedge against major foreign exchange exposures.

Employee

As at the 31 December 2007, we had 9,722 employees, approximately 891 of whom were engineers and technicians who had attended technical school or higher education. The employees' remuneration packages are determined with reference to their experiences and qualifications and general market conditions.

As at the 31 December 2007, our employees' deployment by function was as follows:

Functions	
Production	3,874
Sales and marketing	3,926
Management and other administration	1,072
Research and development (including quality assurance)	295
Finance and accounting	379
Purchase and supply	176
Total headcount	9,722

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. Other than employment contracts with middle and senior management, these employment contracts have a term of between one and three years with a probation period between one and three months. We reward our employees for innovations and improvements by giving them incentive bonuses.

We invest in continuing education and training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We have arranged for internal and external vocational training courses to develop our employees' skills and knowledge. These training courses range from further educational studies to basic production process and skill training to professional development courses for our management personnel.

Welfare contributions

In accordance with applicable PRC regulations on social insurance, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan, a work-related injury insurance plan for our employees as required by local government.

We have a labor union, which is a member of the All China General Trade Union. The labor union organizes various activities to improve the quality of life for our employees. In addition, over the past few years our labor union organized employee suggestion and feedback programs, which directly and indirectly created economic values for us. We have not experienced any strikes, major labor disputes or actions.

Report of the Directors

The Directors of the Company present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2007.

Principal activities

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The Company's principal subsidiaries are primarily engaged in the manufacturing and sales of juice products. Details of the activities of the subsidiaries of the Group are set out in note 10 to the consolidated financial statements on page 90.

Results and dividends

The consolidated results of the Group for the year ended 31 December 2007 are set out on page 61.

The Board has resolved to recommend the payment of a final dividend of RMB0.109 per share for the year ended 31 December 2007.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group are set out in note 8 to the consolidated financial statements on page 87.

Summary of financial information

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Prospectus and the audited combined financial statements of the Group for the year ended 31 December 2006 and the audited consolidated financial statements of the Group for the year ended 31 December 2007, is set out on page 4.

Share capital

Details of the movement in the Company's share capital during the year ended 31 December 2007 are set out in note 19 to the consolidated financial statements on page 102.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Reserves

Details of movements in the reserves of the Company and the Group for the year ended 31 December 2007 are set out in note 21 to the consolidated financial statements on page 103.

Distributable reserves

As at 31 December 2007, the Company had a distributable reserves available to the shareholders in the amount of RMB328.3 million.

The Board has resolved to recommend the payment of a final dividend of RMB0.109 per share for the year ended 31 December 2007. Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 16 May 2008.

Directors

The directors who held office during the year ended 31 December 2007 and up to the date of this report are:

Executive Directors:

Mr. ZHU Xinli	(Chairman and President)
Mr. LU Changqing	(resigned on 7 December 2007)
Mr. JIANG Xu	
Mr. Wu Chungkuan	(appointed on 7 December 2007)

Non-executive Directors:

Mr. Sun Qiang Chang	(appointed on 28 August 2007)
Mr. QIN Peng	
Mr. LENG Xue Song	(resigned on 28 August 2007)

Independent Non-executive Directors:

Mr. WANG Bing	
Ms. ZHAO Yali	
Mr. TSUI Yiu Wa, Alec	
Mr. SONG Quanhou	(appointed on 30 January 2007)

Report of the Directors

In accordance with the Article 130 of the Company's articles of association, Mr. Qin Peng, Mr. Wang Bing and Ms. Zhao Yali will retire from office as directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with the Article 114 of the Company's articles of association, Mr. Sun Qiang Chang and Mr. Wu Chungkuan shall hold office till the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Independence of the independent non-executive directors

The Board has received from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Hong Kong Listing Rules, and considers that all of the independent non-executive directors are independent.

Biographical details of the directors' and senior management

Biographical details of the directors and the senior management of the Group as at the date of this report are set out on pages 49 to 55 of this annual report.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and controlling shareholder's interests in contracts

Save for the related party transactions of the Group with the companies controlled by Mr. Zhu Xinli, an executive director, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group for the year ended 31 December 2007. The details of such related party transactions are set out in note 42 to the consolidated financial statements on page 132.

Save for related party transactions mentioned above, there was no contract of significance to the business of the Group for the year ended 31 December 2007, in which the controlling shareholder of the Company had a material interest, either directly or indirectly.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"), were as follows:

Long positions

	Number of shares held, capacity and nature of interest					
Name of director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Number of shares	Percentage of the Company's issued share capital[(b)]
Mr. Zhu Xinli	0	0	610,000,000[(a)]	0	610,000,000	41.53%

Short positions

	Number of shares held, capacity and nature of interest					
Name of director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Number of shares	Percentage of the Company's issued share capital[(b)]
Mr. Zhu Xinli	0	0	610,000,000[(a)(b)]	0	610,000,000	41.53%

Notes:

(a) These shares were beneficially owned by China Huiyuan Holdings which is 100% owned by Mr. Zhu Xinli. As Mr. Zhu Xinli is entitled to exercise more than one-third of the voting power at the general meetings of China Huiyuan Holdings, by virtue of the SFO, Mr. Zhu Xinli is deemed to be interested in the shares held by China Huiyuan Holdings;

(b) Pursuant to an agreement dated 23 September 2006 between Danone Asia and, among the other parties, Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, following the completion of the six-month lock-up period from the Listing Date and for such period in which Danone Asia holds at least 66% of the shares of the Company acquired by it from China Huiyuan Holdings as a result of a share swap under the reorganization of the Company, each of Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, has agreed not to transfer, or agree to transfer, or engage in any negotiation for the sale or transfer of any of the shares of the Company to any third party purchaser unless the he/it shall first have offered such shares for purchase to Danone Asia. Under the same agreement, each of Mr. Zhu Xinli, Huiyuan Holdings, China Huiyuan Holdings has also granted a right of first refusal to Danone Asia that if any of them receives a bona fide offer from any third party purchaser for any of his/its shares in the Company and in the event that he/it wishes to sell such shares to the third party purchaser, he/it shall be obliged to first offer to sell such shares to Danone Asia at the same price and on the same terms and conditions of the proposed purchase by the third party purchaser. The details of such agreement are described in the section headed "Our History and Development — Strategic Investor" in the Prospectus.

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares

Save as disclosed in the paragraph headed "directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in this report, at no time during the year ended 31 December 2007 or the period following 31 December 2007 up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or their respective associates to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any of its associated company and none of the directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during such period.

Share Option Schemes

The Company has adopted two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme, the details of which are set out below:

1. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 30 January 2007. The purpose of our Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme except for the following:

(a) the subscription price per share shall be the Offer Price per share; and

(b) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date.

The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

As at 31 December 2007, a total of 1,700,000 shares (representing approximately 0.12% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which bad been granted under the Pre-IPO Share Option Scheme.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2007 is as follows:

Name of grantee	Date of grant	Number of options outstanding as at 23 February 2007	Number of options lapsed or cancelled during the year	Number of options exercised during the year	Number of options outstanding as at 31 December 2007	Date of expiry	Exercise price (HK$)
Lu Changqing[1]	30 January 2007	700,000	(700,000)	—	—	22 February 2017	6.00
Ng Yuk Keung	30 January 2007	700,000	—	—	700,000	22 February 2017	6.00
Matthew Gene Mouw	30 January 2007	700,000	—	—	700,000	22 February 2017	6.00
Chen Zhiqiang[2]	30 January 2007	700,000	(700,000)	—	—	22 February 2017	6.00
Dong Ying	30 January 2007	300,000	—	—	300,000	22 February 2017	6.00
		3,100,000	(1,400,000)	—	1,700,000		

Notes:

(1) Mr. Lu Changqing resigned on 7 December 2007.

(2) Mr. Chen Zhiqiang resigned on 20 March 2007.

Report of the Directors

2. Share Option Scheme

The Share Option Scheme was approved on 30 January 2007. The purpose of the Share Option Scheme is to provide incentive and/or reward to any director or employee of the Group or of any entity in which the Company has equity interest, any executive of the controlling shareholder of the Group, and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to the Group and their continuing efforts to promote the Group's interests.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 140,749,800 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from 23 February 2007 and the options granted have a 10-year exercise period.

As at 31 December 2007, no option has been granted under the Share Option Scheme.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2007, the Company had not received any notice of interests to be recorded under section 336 of the SFO.

As at 31 December 2007, so far as are known to the Board, the following parties were recorded in the register, kept by the Company pursuant to Section 336 of the SFO, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions

Name	Number of shares	Percentage of the Company's share capital
Mr. Zhu Xinli[(a)]	610,000,000	41.53%
Huiyuan Holdings[(a)]	610,000,000	41.53%
China Huiyuan Holdings[(a)]	610,000,000	41.53%
Danone[(b)]	337,497,501	22.98%
	610,000,000[(c)]	41.53%
Danone Asia[(b)]	337,497,501	22.98%
	610,000,000[(c)]	41.53%
Fidelity International Limited	101,491,500	6.91%
Warburg Pincus[(d)]	100,007,572	6.81%
Warburg Pincus Funds Investor[(d)]	100,007,572	6.81%
ABN AMRO Holding N.V.[(e)]	98,979,706	6.74%
ABN AMRO Bank N.V.[(e)]	98,979,706	6.74%

Short positions

Name	Number of shares	Percentage of the Company's share capital
Mr. Zhu Xinli	610,000,000[(c)]	41.53%
Huiyuan Holdings[(a)]	610,000,000[(c)]	41.53%
China Huiyuan Holdings[(a)]	610,000,000[(c)]	41.53%
ABN AMRO Holding N.V.[(e)]	98,979,706	6.74%
ABN AMRO Bank N.V.[(e)]	98,979,706	6.74%

Notes:

(a) Huiyuan Holdings is wholly owned by Mr. Zhu Xinli and China Huiyuan Holdings is a wholly owned subsidiary of Huiyuan Holdings. Each of Mr. Zhu and Huiyuan Holdings is therefore deemed to be interested in the shares held by China Huiyuan Holdings.

Report of the Directors

(b) Danone Asia is a strategic investor in the Company. Danone Asia is a wholly owned subsidiary of Danone. Danone is therefore deemed to be interested in the shares held by Danone Asia.

(c) Pursuant to an agreement dated 23 September 2006 between Danone Asia and, among the other parties, Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, following the completion of the six-month lock-up period from the Listing Date and for such period in which Danone Asia holds at least 66% of the shares of the Company acquired by it from China Huiyuan Holdings as a result of a share swap under the reorganization of the Company, each of Mr. Zhu Xinli, Huiyuan Holdings and China Huiyuan Holdings, has agreed not to transfer, or agree to transfer, or engage in any negotiation for the sale or transfer of any of the shares of the Company to any third party purchaser unless the he/it shall first have offered such shares for purchase to Danone Asia. Under the same agreement, each of Mr. Zhu Xinli, Huiyuan Holdings, China Huiyuan Holdings has also granted a right of first refusal to Danone Asia that if any of them receives a bona fide offer from any third party purchaser for any of his/its shares in the Company and in the event that he/it wishes to sell such shares to the third party purchaser, he/it shall be obliged to first offer to sell such shares to Danone Asia at the same price and on the same terms and conditions of the proposed purchase by the third party purchaser. The details of such agreement are described in the section headed "Our History and Development — Strategic Investor" in the Prospectus.

(d) Warburg Pincus Funds Investor had declared an interest in the same 100,007,572 shares in which Warburg Pincus had declared an interest by virtue of Warburg Pincus's control in Warburg Pincus Funds Investor.

(e) ABN AMRO Bank N.V. had declared an interest in the same 98,979,706 shares in which ABN AMRO Holding N.V. had declared an interest by virtue of ABN AMRO Holding N.V.'s control in ABN AMRO Bank N.V..

Save as disclosed above, the directors are not aware of any persons who should be registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO as at 31 December 2007.

Dilutive effect of the Convertible Bonds

As at 31 December 2007, a total of US$14,000,000 Convertible Bonds had been converted into 21,318,703 Ordinary Shares and a total of US$71,000,000 Convertible Bonds remained outstanding.

If Warburg Pincus Funds Investor and other Bond Holders fully convert their Convertible Bonds into the Ordinary Shares immediately after the Global Offering at a price of HK$5.1, i.e. at a 15% discount to the Offer Price, and assuming that the options which have been granted under the Pre-IPO Share Option Scheme and are currently outstanding are fully exercised, the public float relating to the Global Offering will be diluted to 30.46% from 32.77% prior to such conversion.

Purchase, sale or redemption of the Company's listed securities

The Company's shares were listed on the Hong Kong Stock Exchange on 23 February 2007. Neither the Company, nor any of its subsidiaries purchased, has sold and redeemed any of the Company's listed securities during the period from the listing date to 31 December 2007.

Emolument policy

Details of the directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 32 to the consolidated financial statements on pages 120 to 122.

The emolument policy of the employees of the Group is set up by the Board on the basis of merit, qualifications and competence.

The emoluments payable to directors will depend on their respective contractual terms under their employment contracts or service agreements as approved by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director should determine his or her own remuneration.

In addition to basic salaries, the Company has the Pre-IPO Share Option Scheme and Share Option Scheme as an incentive for directors and eligible employees. Details of the scheme are set out in note 22 to the financial statements on page 106 to 108.

Retirement benefits scheme

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Use of proceeds from listing and post balance sheet events

The net proceeds from the Company's initial public offering including the exercise of the over-allotment option amounted to approximately HK$3,726 million. These net proceeds were partially applied during the period from the Listing Date up to 31 December 2007 and such application is consistent with the proposed usage of the net proceeds set forth in the Prospectus. The unused balance of the net proceeds are deposited in the Group's interest-bearing bank accounts.

The details of the significant post balance sheet events of the Group are set out in note 43 to the consolidated financial statements on page 136.

Major customers and suppliers

In the year ended 31 December 2007, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Banking facilities and other borrowings

Details of the bank facilities and other borrowings of the Company as at 31 December 2007 are set out in note 24 to the consolidated financial statements on pages 111 to 113.

Report of the Directors

Corporate governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 41 to 48.

Sufficiency of public float

According to information that is publicly available to the Company and within the knowledge of the Board, as at 31 December 2007, the Company has maintained sufficient public float as required under the Hong Kong Listing Rules.

Connected transactions

The Group had entered into certain continuing connected transactions ("Non-exempt Continuing Connected Transactions") with the companies controlled by Mr. Zhu Xinli, the ultimate controlling shareholder of the Group, for which, waivers from the Hong Kong Stock Exchange from strict compliance with the applicable requirements under the Hong Kong Listing Rules were required and have been granted.

The details of the agreements governing the Non-exempt Connected Transactions are set out in the section headed "Relationship with Our Controlling Shareholder — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions" in the Prospectus. The aggregate amount of each of the Non-exempt Continuing Connected Transactions for the year ended 31 December 2007 and the respective annual cap are set out below:

1. Raw materials purchase

Purchase item	Aggregate Amount (RMB)	Annual Cap (RMB)
Juice concentrates, fruit purees and fructose	184,316,000	237,000,000
External packaging materials	14,684,000	34,500,000
Total	199,000,000	271,500,000

In addition, the total purchase of (i) juice concentrates, fruit purees and fructose, and (ii) the external packaging materials by the Group under the Raw Materials Purchase Agreement (as defined in the Prospectus) during the year ended 31 December 2007 accounted for 36.7% and 16.4% of the total purchase of such raw materials by the Group during the same period, respectively, and did not exceed 37% and 26% of the total purchase of such raw materials by the Group on an annual basis.

2. Properties rental

Property	Aggregate Amount (RMB)	Annual Cap (RMB)
Land and buildings located at Shanghai Road Econ-Tech Development Zone, Jiujiang, Jiangxi, the PRC	708,607	708,607
Land, buildings and structures located at Zhengzhong Village, Miaocheng Town, Huairou District, Beijing, the PRC	2,000,000	2,000,000
Total	2,708,607	2,708,607

3. Recyclable container sales

Sales item	Aggregate Amount (RMB)	Annual Cap (RMB)
Recyclable container	24,390,000	39,350,000

The independent non-executive directors have confirmed that the Non-exempt Continuing Connected Transactions:

(a) have been entered into in the ordinary course of the Group's business;

(b) had been entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.

Report of the Directors

Related parties transactions

The Group is also involved in a number of related party transactions during the year ended 31 December 2007 which have been disclosed in note 42 to the consolidated financial statements on pages 132 to 136.

Non-competition Deed

As disclosed in the Prospectus, the independent non-executive directors will review, on an annual basis, (i) the compliance by Mr. Zhu Xinli, the controlling shareholder of the Company, and his associates with the non-competition undertakings under the Non-competition Deed (as defined in the Prospectus); and (ii) all the decisions taken in relation to whether to exercise the option pursuant to the Non-competition Deed and whether to pursue any business opportunities which may be referred or offered to the Company by Mr. Zhu Xinli and his associates pursuant to the Non-competition Deed. Nonetheless, the Non-competition Deed has only taken effect from the Listing Date and therefore the independent non-executive directors did not conduct such a review for the year ended 31 December 2007.

Charitable donations

During the year ended 31 December 2007, the Group made charitable donations amounting to approximately RMB6.7 million.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2007 has been reviewed by the Financial Management and Audit Committee. Information on the work of the Financial Management and Audit Committee and its composition are set out in the Corporate Governance Report on page 46.

Auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the board

ZHU Xinli
Chairman

Beijing, 31 March, 2008

Corporate Governance Report

Corporate governance practices

The Company is committed to maintaining high standards of corporate governance practice for enhancing accountability and transparency of the Company to the investors and the shareholders. In this regard, the Company has adopted the "Code of Corporate Governance Practices" (the "**Corporate Governance Code**") as contained in Appendix 14 of the Hong Kong Listing Rules as its own code to govern its corporate governance practices. Saved for code provision A.2.1 of the Corporate Governance Code, which stipulates that the role of chairman and chief executive officer should be separate, the Company has complied with the stipulations of the Corporate Governance Code. The following summarizes the Company's corporate governance practices and explanation of deviations from the Corporate Governance Code.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 of the Hong Kong Listing Rules as the standards for the directors' dealings in the securities of the Company. Having made specific enquiry of all directors, the Company confirms that the directors of the Company complied with the required standard set out in the Model Code for the year ended 31 December 2007.

The Company has also adopted a code of conduct governing securities transactions by employees of the Group who may possess or have access to price sensitive information in relation to the Group or its securities.

Board of directors

Board responsibilities

The Board is responsible for the overall management of the Company, including establishing and overseeing the Company's strategic development, business plans, financial objectives, capital investments proposals, and assumes the responsibilities of corporate governance of the Company. The Board may from time to time delegate all or any of its powers that it may think fit to a director or member of senior management of the Company. The Board has formulated clear and specific rules and policies on such delegation of power to facilitate efficient operation of the Company and is supported by three committees, which are the Remuneration and Nomination Committee, the Financial and Audit Committee and the Strategy and Development Committee.

Corporate Governance Report

Board members

The Board, as at the date of this report, consists of nine directors, including three executive directors, two non-executive directors, and four independent non-executive directors:

Executive directors
Mr. ZHU Xinli *(Chairman)*
Mr. WU Chungkuan (appointment effective from 7 December 2007)*Note*
Mr. JIANG Xu

Non-executive directors
Mr. QIN Peng
Mr. SUN Qiang Chang (appointment effective from 28 August 2007)*Note*

Independent non-executive directors
Mr. WANG Bing
Ms. ZHAO Yali
Mr. TSUI Yiu Wa, Alec
Mr. SONG Quanhou (appointed effective from 30 January 2007)

Note:

Mr. LU Changqing and Mr. LENG Xuesong resigned as an executive director of the Company effective from 7 December 2007 and as a non-executive director of the Company effective from 28 August 2007, respectively.

The details of the directors' biographical information are contained in the section headed "Directors and Senior Management" of this annual report.

There is no financial, business, family or other material/relevant relationships among the directors of the Company.

Induction training

Newly appointed directors have received formal induction training on their responsibilities as a director of a listed company and the legal and regulatory requirements under Hong Kong laws.

Independent non-executive directors

More than one-third of the members of the Board are independent non-executive directors, which exceeds the minimum requirement under the Hong Kong Listing Rules. All the independent non-executive directors are independent of the Company. Mr. Tsui Yiu Wa, Alec, an independent non-executive director, has appropriate financial management expertise in compliance with rule 3.10 of the Hong Kong Listing Rules. The Company has received an annual confirmation from each of the independent non-executive directors on their respective independence pursuant to rule 3.13 of the Hong Kong Listing Rules and considers that each of them to be independent.

Terms

All of the non-executive and independent non-executive directors were appointed for a term of three years, which may be terminated according to the articles of association of the Company and any applicable laws, and subject to retirement by rotation at the annual general meeting of the Company once every three years in accordance with the articles of association.

Board meetings

Notwithstanding that a notice is required to be given to each director at least 5 days prior to a Board meeting pursuant to the articles of association of the Company, notices for such regular meetings are given to each member of the Board at least 14 days prior to the meeting, whereby the directors can put forward his proposed items into the agenda. The agenda and the relevant board papers are then circulated to the directors 3 days before a Board meeting to enable them to make informed decisions at the meeting. Drafts of the Board minutes and Board committee meeting minutes are circulated to the directors and the relevant Board committee members respectively for their review before finalization, and the final version of these minutes are kept by the company secretary of the Company and are available for inspection by the Board and auditor of the Company. Every director is entitled to have access to Board papers and relevant materials and have unrestricted access to advice and services of the company secretary, and is able to seek independent professional advice as and when required at the Company's expense.

Corporate Governance Report

Attendance

A1.1 of the Corporate Governance Code stipulates that the board should meet regularly and meetings should be held at least four times a year at approximately quarterly intervals. During the year, the Board convened a total of 3 Board meetings and 3, 3 and 2 meetings for each of the Remuneration and Nomination Committee, the Financial and Audit Committee and the Strategy and Development Committee, based on the need of the operation and business development of the Company. Details of attendance are as follows:

Name	Board meetings	Board committee meetings: Remuneration and Nomination Committee	Board committee meetings: Financial Management and Audit Committee	Board committee meetings: Strategy and Development Committee
	(Times of attendance in person/times of meeting)[Note]			
Executive directors				
ZHU Xinli *(Chairman)*	3/3	N/A	N/A	2/2
WU Chungkuan (appointed on 7 December 2007)	1/3	N/A	N/A	N/A
JIANG Xu	3/3	N/A	N/A	N/A
LU Changqing (resigned on 7 December 2007)	2/3	N/A	N/A	N/A
Non-executive directors				
QIN Peng	3/3	3/3	N/A	2/2
SUN Qiang Chang (appointed on 28 August 2007)	2/3	N/A	1/3	2/2
LENG Xuesong (resigned on 28 August 2007)	1/3	N/A	2/3	0/2
Independent non-executive directors				
WANG Bing	3/3	3/3	2/3	N/A
ZHAO Yali	3/3	N/A	N/A	2/2
TSUI Yiu Wa, Alec	3/3	3/3	3/3	N/A
SONG Quanhou	3/3	N/A	N/A	2/2

Note: Directors who did not attend the meeting in person have entrusted other Directors to attend and vote at the meeting.

The Chairman and the Chief Executive Officer

The positions of the chairman of the Board and the president (i.e., the chief executive officer) of the Company are held by Mr. Zhu Xinli. Although this deviates from the practice in A2.1 of the Corporate Governance Code where the two positions should be held by different individuals, Mr. Zhu has considerable and extensive experience in the juice and beverage industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long-term development of the industry.

From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure.

Board committees

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 16 September 2006 with written terms of reference pursuant to the Corporate Governance Code. Currently there are three members on the committee, namely the non-executive director, Mr. Qin Peng, and the independent non-executive directors, Mr. Wang Bing and Mr. Tsui Yiu Wa, Alec. Mr. Qin is the chairman of the Remuneration and Nomination Committee.

The primary functions of the Remuneration and Nomination Committee are to:

(a) make recommendations to the directors on the policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

(b) determine terms of specific remuneration package for executive directors and senior management;

(c) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by directors from time to time;

(d) review the structure, size and composition of the Board regularly and make recommendations to the Board regarding any proposed changes; and

(e) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships.

Corporate Governance Report

At the meetings held during the reporting year, the Remuneration and Nomination Committee has reviewed the directors' fees in terms of the corporate and individual performance, the employment terms of the management staff within the Group, the employee share option to be granted and assessed the nominations of the new directors.

Financial Management and Audit Committee

The Financial Management and Audit Committee was established on 21 September 2006 with written terms of reference pursuant to the Corporate Governance Code. Currently there are three members, namely the independent non-executive directors, Mr. Tsui Yiu Wa, Alec and Mr. Wang Bing, and the non-executive director, Mr. Sun Qiang Chang. Mr. Tsui, who has the relevant financial management expertise, is the chairman of the Financial Management and Audit Committee.

The primary functions of the Financial Management and Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditor and provide advice and comments to the Board.

During the year, the Financial Management and Audit Committee convened 3 meetings. All solutions passed at the meetings were duly recorded and retained.

Major work completed by the Financial Management and Audit Committee during the year includes:

- Reviewing the Group's interim and annual report;
- Reviewing accounting policies adopted by the Group and issues related to accounting practice;
- Supervising internal auditing of the Group;
- Assisting the Board to evaluate on the effectiveness of financial reporting procedure and internal control system;
- Advice on material events or draw the attention of management on related risks.

Strategy and Development Committee

The Strategy and Development Committee was established on 21 September 2006 with written terms of reference pursuant to the Corporate Governance Code. Currently there are four members, namely the executive director, Mr. Zhu Xinli, the non-executive directors, Mr. Qin Peng and Mr. Sun Qiang Chang, and the independent non-executive director, Ms. Zhao Yali. Mr. Zhu is the chairman of the Strategy and Development Committee.

The primary functions of the Strategy and Development Committee are to:

(a) review and formulate the strategic positioning and development plans of the Company on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) review and formulate strategies for market development and operation of the Company on a regular basis and make recommendations to the Board regarding any proposed changes; and

(c) review strategies of the Company on its material projects, business expansion, capital expenditure, asset restructuring and operation and make recommendations to the Board regarding any proposed changes.

At the meetings held during the reporting year, the Strategy and Development Committee has reviewed the three year strategy plan and evaluated the merger and acquisition plan of the Group.

Accountability and audit

Auditor's remuneration

The remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, during the year ended 31 December 2007 in relation to non-audit assurance service and audit service are RMB2 million and RMB4.5 million respectively.

Directors' responsibilities for financial statements

The directors acknowledge their responsibility for preparing the financial statements of the Company, and for ensuring that the financial statements are prepared in accordance with applicable statutory requirements and accounting standards.

Auditor's statement

The statement of the Company's auditor, PricewaterhouseCoopers, on its reporting responsibilities in respect of the consolidated financial statements of the Group for the year ended 31 December 2007 is set out on pages 56 and 57.

Internal control and risk management

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interest. The Group's internal control system has been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records and financial information are maintained, and, where appropriate, relevant legislation, regulation and best practices are complied with.

The Board has delegated to the Financial Management and Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Financial Management and Audit Committee works with the Group's Internal Audit Department to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Financial Management and Audit Committee. The Group's Internal Audit Department, reports its findings and recommendations for any corrective action required to the Financial

Corporate Governance Report

Management and Audit Committee. The Financial Management and Audit Committee reviews the reports submitted by the Internal Audit Department and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

The Internal Audit Department conducted an examination on various material control aspects during the year including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Financial Management and Audit Committee for review and the findings and recommendations were discussed at Audit Committee meetings. The significant findings have been remediated by management.

Investor relations

The Board values the importance of communications with the shareholders. The annual general meeting ("AGM") of the Company held on 8 June 2007 was an important occasion for the Board and the shareholders to communicate directly with each other. The chairmen of the Board and the Board committees and the external auditor were present at the AGM to communicate with the shareholders. The AGM circular was distributed to all shareholders at least 30 days before the AGM, which contained information regarding the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions on each substantially separate issue. In addition, the Company has announced its annual and interim results in a timely manner in accordance with the requirements of Listing Rules.

Directors and Senior Management

Executive director

Mr. ZHU, Xinli (朱新禮)

aged 56, is the chairman of the Board and the founder of the Group. He is also the president of the Group. With over 16 years' experience in juice and beverage industry, he is primarily responsible for our Group's overall strategic planning and business management. He has pursued CEO courses in China Europe International Business School, Cheung Kong Graduate School of Business and Stanford College. He has been engaged as a visiting professor by China Agricultural University, Nankai University and The Chinese Academy of Agricultural Sciences since 2001. He has 28 years' experience in enterprise operation and management. Before founding our Group in 1992, he had worked as the deputy director of the foreign economic and trade department of Yiyuan County, Shandong Province. He is an executive deputy chairman of the board of the Association of Chinese Beverage Industry and the deputy director of its Juice Division. In addition, he is also a deputy chairman of the Chinese Entrepreneur Association. He received the "Award for Prominent Contribution to Chinese Beverage Industry" in 2003 and the "National Labor Day Medal" in 2002. He was appointed as a director of our Board in September 2006.

Mr. JIANG, Xu (江旭)

aged 45, is an executive director of the Board. He is also a vice president of the Group. He has 10 years' experience in juice and beverage production, sales and marketing. Since joining us in March 1997, he had held various positions, including the general manager of Beijing Huiyuan Beverage, the general manager of our North East China region and the vice-president of Beijing Huiyuan Beverage. He has resigned from all directorships in Beijing Huiyuan Beverage and the companies controlled by it. He was appointed as a director of the Board in September 2006.

Mr. WU, Chungkuan (吳重寬)

aged 46, is currently a vice president of the Company. Mr. Wu joined the Company in May 2007 and has been in charge of the marketing department. Mr. Wu graduated from National Taiwan University with a Bachelor's degree in chemical engineering in 1986. He obtained a Master's degree in plastics engineering from the University of Massachusetts in 1989 and the MBA degree from International Institute for Management Development, Lausanne, Switzerland in 1994. He worked for Xerox in the USA as an engineer from 1989 to 1992. He worked for Tetra Pak as the chief representative of Beijing Office in charge of the marketing in Northern China from 1995 to 1999 and a vice president at Shanghai Headquarters in charge of the sales and competition strategy from 2003 to 2007. He was appointed as a director of the Board in December 2007.

Directors and Senior Management

Non-executive director

Mr. SUN (Chang), Qiang (孫強)

Mr. Sun is the managing director of Warburg Pincus Hong Kong Branch and responsible for the investment business of Warburg Pincus in North Asia. Mr. Sun has been with Warburg Pincus since 1995. Before joining Warburg Pincus, He served as an executive director of the investment banking division and direct investment business sector of Goldman Sachs (Asia) L.L.C. Mr. Sun was born and grown in China, having been a plane repairman of China air force. Then, Mr. Sun obtained a Bachelor degree from Beijing Foreign Studies University. He was select by United Nation to study the Master degree of international issues research and translation training. He then became a translator of United National New York Headquarter. After Graduated from MBA, Mr. Sun worked in an investment bank Lepercq, de Neuflize & Co.

Mr. Sun holds a Bachelor of Arts degree from Beijing Foreign Studies University, a Master of Arts degree in International Studies from Joseph Lauder institute of International Management at the University of Pennsylvania and a Master of Business Administration degree from the Wharton School of Business at the University of Pennsylvania.

He is the director of Gome Electrical, Harbin Pharmaceutical Group, Huiyuan Juice and Enerchina, he is also the founder and committee of the China Venture Capital Association and China Real Estate Development Investment Association.

Mr. QIN, Peng (秦鵬)

aged 53, is a non-executive director of the Board. He holds a Bachelor degree in Social Science from University of Paris V in France and a Master degree in Sociology from Institute of Political Sciences of Paris. He has 25 years' experience in juice and beverage brand management, sales and marketing, business development and corporate management. Since 1983, he has taken various positions with Danone group. He is currently the chairman of greater China of Danone group. In addition, he is a director of Hangzhou Wahaha Food Company Limited, Gao Xiang Investment Limited and the chairman of the board of Shanghai Danone Asia pacific (Shanghai) Management Limited. He was appointed as director of the Board in September 2006.

Independent non-executive director

Mr. WANG, Bing (王兵)

aged 39, is an independent non-executive director of the Board. He holds a Bachelor degree in Economics and a Master degree in Business Administration. He is currently the chief executive officer of Dingtian Asset Management Co Ltd. He has over 10 years' experience in investment banking, operations in capital markets and financial management. He was appointed as an independent non-executive director of the Board in September 2006.

Ms. ZHAO, Yali (趙亞利)

aged 49, is an independent non-executive director of the Board. She holds a Bachelor degree from Tianjin Light Industry College and is a professor-grade senior engineer. She had been the head and committee of China Light Industry Federation. She is currently the executive deputy chairman and general secretary of China Beverage Industry Association and the chairman of its juice sub-committee. At the same time, she is the executive committee member of IFU. In addition, she was an independent director of Guotou Zhonglu Juice Corporation, a company listed on the Shanghai Stock Exchange. She was appointed as an independent non-executive director of the Board in September 2006.

Mr. TSUI, Yiu Wa, Alex (徐耀華)

aged 58, is an independent non-executive director of the Board. He holds a Bachelor degree in Science and a Master degree in Industrial Engineering from the University of Tennessee. He completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University. He has more than 30 years of experiences in the securities market and financial management. He is currently the chairman of WAG Worldsec Corporate Finance Limited, a Hong Kong based provider of financial and management consulting services. He is also a vice chairman of China Mergers and Acquisitions Association and a director of Hong Kong Professional Consultant Association. He served at various international companies, including Arthur Andersen & Co and Swire Bottlers Limited, and China Light and Power Company Limited for 12 years in relation to information technology, financial analysis, corporate planning and management. He was formerly the chairman of the Hong Kong Securities Institute, the chief operating officer of the Hong Kong Exchanges and Clearing Limited, the chief executive officer of the Hong Kong Stock Exchange and the adviser and council member of the Shenzhen Stock Exchange. Currently he serves as an independent non-executive director in a number of Hong Kong main board and NASDAQ listed companies, including Industrial & Commercial Bank of China (Asia) Limited, China Chengtong Development Group Ltd., COSCO International Holdings Limited, China Power International Development Limited, Synergis Holdings Limited, China BlueChemical Limited and Greentown China Holdings Limited, Melco PBL Entertainment Limited, Pacific Online Limited, ATA Inc. Limited and a Hong Kong GEM listed company, Vertex Communications & Technology Group Limited. He was appointed as an independent non-executive director of the Board in September 2006.

Mr. SONG, Quanhou (宋全厚)

aged 46, is an independent non-executive director of the Board. He holds a Master degree food engineering from the former China National Academy of Light Industry and Science. He is a professor-grade senior engineer. He currently acts as a Deputy Director of China National Research Institute of Food and Fermentation Industries (CNRIFFI). He has been actively involved in preparing, implementing, enforcing various nationwide food and beverage quality control and testing standards since 1995 and has extensive knowledge and experience in China's food and beverage industry. He has also been actively involved in or responsible for various research projects in food and beverage quality control and testing sponsored by the PRC government, international organizations or enterprises. He was appointed as an independent non-executive director of the Board in January 2007.

Directors and Senior Management

Senior management

Mr. ZHU, Xinli (朱新禮)

is the chairman of the Board and the president of the Group. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. MOUW, Matthew Gene

aged 46, is a vice president of the Group in charge of the strategic planning of the Group. He holds a Bachelor degree in Arts from Hamlin University at St. Paul, Minnesota, majoring in East Asia Studies with focus on developing Asian economies. He has 18 years' experience in sales and marketing. He has held various positions in sales, brand management and marketing in Mars, Inc. from 1992 to 1996. He held position as the sales and marketing Vice President (China) of Great Lakes Fresh Fruit and Juice Company from 1996 to 1997, and was promoted as the General Manager of that company in 1998. From 1999 to 2006, he held various positions in Danone group, including the chief representative of Robust China Limited, the general manager of Danone Health Mineral Water and was promoted as the general manager of Danone Mineral Waters China in 1995. He is currently seconded to the Group from Danone in September 2006.

Mr. JIANG, Xu (江旭)

is a vice president of the Group in charge of procurement and quality control. He is an executive director of the Board. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. WU, Chungkuan (吳重寬)

is a vice president of the Group in charge of market and brand promotion. He is an executive director of the Board. His biographical details are set out above under the paragraph headed "Executive Directors".

Mr. ZHAO, Jinlin (趙金林)

aged 52, is a vice president of the Group in charge of human resource and corporate culture management. Before joining us in 1998, he had served in the People's Liberation Army for more than 25 years. He has rich experience in human resource and corporate culture management.

Mr. NG, Yuk Keung (吳育強)

aged 43, is a vice president and the chief financial officer of the Group. He is also the company secretary and the qualified accountant of the Company. He graduated from The University of Hong Kong with a Bachelor degree in Management Studies and Economics and a Master degree in Global Business Management and E-commerce. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales. He worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From November 2004 to August 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Electronics Group Company Limited, a company incorporated in the PRC with H shares listed on the Hong Kong Stock Exchange. He is an independent non-executive director of Xinjiang Xinxin Minging Industry Co. Ltd. which is listed on the main board of the Hong Kong Stock Exchange. He was appointed as the company secretary of our Company on 21 September 2006.

Mr. WANG, Xuetong (王學同)

aged 36, is a vice president of production sales of the Group. He joined with the Group on October 1992. He has over 16 years' experience on juice and beverage production, sales and marketing. After joining the Company, he serves as various positions, including assistant to the president, chief financial officer, general manager of factory and great region. He was awarded "Labour Model of Shunyi" by Beijing Shunyi Zong Gong Hui, "Economic Technology Creative Model" by Beijing Zong Gong Hui. He was awarded "Laiwu Encouraging Star' in Laiwu, Shandong. He was elected as the Laiwu representative in National People's Congress in December 2005.

Mr. GAO, Yanxiang (高彥祥)

aged 46, is a vice president of the Group in charge of R&D. He holds a Ph.D degree in food engineering. Before joining the Group in 2000, he was an associate professor in Tianjin University of Science and Technology and was engaged in teaching and research. He had worked as a manager in the beverage companies for 3 years. He is also a member of the Technology Committee of China Beverage Industry Association, the Technology Committee of International Federation of Fruit Juice Producers. He was awarded as "An Excellent Scientist for 2003" by China Beverage Industry Association in 2003.

Mr. CHENG, Wenxue (程文學)

aged 39, is a vice president of the Group currently in full charge of the children's beverages projects. He has 17 years' experience in financial management. He holds senior accountants and chartered accountants of China. He worked in various offices of Weifang Branch of the Bank of Communications of China. He also worked as a project manager of Yue Hua Accountants' Firm. He joined the Group in September 2004 and has held the positions of the financial controller and the assistant to the president. He has over 5 years' experience in this industry.

Directors and Senior Management

Ms. REN, Hongfeng (任洪鳳)

aged 35, is a vice president of the Group and the general manager of Mid-China Region (Hubei, Hunan, Jiangxi, Anhui) and Beijing Huiyuan Group Huanggang Limited. She joined the Company in 1993 and has held various positions, including as, the international business controller, the procurement controller and the general manager of the Hubei sales area. She has 9 years' experience in international trade and 3 years' experience in juice and beverage production, sales and marketing management. She is the 10th CPPCC Committee of Hubei.

Ms. YU, Hongli (于洪莉)

aged 38, is a vice president of the Group and is the general manager of Beijing-Tianjin region. She graduated from Economic Management College of Party School of the Central Committee of CPC with a Bachelor's Degree, being a human resource administrator. She is currently in full charge of the sales management in Beijing, Tianjin and Hebei. She joined the Company in 2000 and served as various positions, including as the human resource manager of the Group, the human resource deputy president, the general manager of Beijing Huiyuan Food and Beverage Limited. She has extensive management experience in human resource and industry experience in juice and beverage production and marketing management.

Ms. ZHU, Shengqin (朱聖琴)

Aged 32, is the vice president of the Group. She holds an EMBA degree from Cheung Kong Graduate School of Business. Since joining the Group in 1996, she holds various positions, including marketing manager, advertising chief director, investment vice president, director of the office to the board of directors of the Company. She was instrumental in introducing strategic and financial investors, such as Danone Group of France and Warburg Pincus LLC of the USA. She has made substantial contribution to the Group's Global Offering and listing on the Hong Kong Stock Exchange in February 2007. She is an important member of the management team of the Group. She was the team leader in the Company's marketing campaigns with CCTV, MTV and the China Team in 32nd "America's Cup" sailing competition.

Mr. XIE, Quanming (謝全明)

aged 57, is a vice president of the Group responsible for formalization of policy and procedures. Before joining the Group in 1997, he has served in the Air Force of the People's Liberation Army for more than 27 years. He has extensive experience in administrative management.

Mr. DONG, Ying (董穎)

aged 38, is the financial controller of the Group. He holds a Bachelor degree in Engineering (cum a diploma in business administration) from East China University of Science and Technology. He is a member of American Institute of Certified Public Accountants and California Society of Certified Public Accountants and a PRC Registered Public Accountant with qualification in securities business. He has 12 years' experience in auditing, risk management and internal control. Before joining the Group in September 2006, he worked in the assurance department and system and process assurance department in PricewaterhouseCoopers from 1994.

Ms. GUO, Xiaohong (郭曉紅)

aged 45, is the chief engineer of the Group. She holds a Bachelor degree in Agricultural Science from Shanxi Agriculture University, a Master degree in Agricultural Science from Beijing Agriculture University (the PRC) and a Ph.D in Natural Sciences from Hohenheim University, Germany. She has significant experience in the food and beverage R&D and quality control. Before joining us as the director of the R&D centre in September 2006, she had held various positions, including as an assistant research fellow of the Institute of Agricultural Science of Shanxi Province, a lecturer of Beijing Agriculture University, the general manager of Shanghai Hua Guan Nutrition and Dairy Company Limited, the project director of food business administration of the MBA Centre of China Agriculture University.

Mr. LU, Xinjian (蘆新建)

aged 37, is the market chief director of the Group. He joined the Group on April 1998. He has 19 years' experience in juice and beverage production, sales and marketing and currently fully in charge of the 100% Juice product promotion. Since joining the Company, he has served as various positions, primarily including as the chief financial officer in Shanghai region, the general manager of Shanghai Huiyuan and great region.

Mr. DENG, Xueliang (鄧學良)

aged 35, is the chief project director of the Group in charge the Kiwi Nectar project. He holds a MBA degree. He has 12 years' experience in management and marketing orientation. Before he joined the Group in 1999, he served Xianmen Food and Beverage Group Limited from 1997 to 1999. Since 1999, he has served as the manager of human resource division, the general manager of Kaifeng Huiyuan and the general manager of Henan region.

Mr. ZHOU, Hongwei (周紅衛)

aged 37, is the production chief director of the Group. He holds a diploma in computerized accounting. He has 10 years' experience in financial management. Since his joining the Group in 1997 he has served as the financial manager, deputy general manager and general manager of Kaifeng Huiyuan, and general manger of great region. He has over 10 years' experience in fruit and vegetable juice, sales and marketing.

Ms. SHI, Xiuping (史秀平)

aged 32, is the chief direct of the Group's human resources division. She graduated from Economic Management College of Party School of the Central Committee of CPC. She is responsible for managing the human resources division of the Group. She joined the Company in 2003 and served as various positions including recruiting supervisor, reviewing supervisor and human resource manager of the Group. She has extensive management and practical experience in human resources.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report
To the shareholders of China Huiyuan Juice Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Huiyuan Juice Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 136, which comprise the consolidated and company balance sheets as of 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 March 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**337,399**	230,671
Property, plant & equipment	8	**2,241,112**	1,805,945
Intangible assets	9	**323,826**	331,571
Deferred tax assets	14	**24,092**	21,252
Total non-current assets		**2,926,429**	2,389,439
Current assets			
Inventories	16	**742,044**	522,834
Trade and other receivables	15	**666,195**	488,024
Derivative financial instruments	12	**1,568**	—
Other loans and receivables	13	**1,250,718**	—
Restricted cash	17	**10,033**	5,341
Cash and cash equivalents	18	**1,290,220**	90,810
Total current assets		**3,960,778**	1,107,009
Total assets		**6,887,207**	3,496,448
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	**114**	—
Share premium	19	**3,716,982**	—
Other reserves	21	**116,040**	1,283,661
Retained earnings			
— Proposed final dividend	20, 37	**160,054**	—
— Others	20	**668,030**	263,754
Total equity		**4,661,220**	1,547,415
LIABILITIES			
Non-current liabilities			
Borrowings	24	**511,322**	54,411
Deferred government grants	25	**65,662**	70,612
Long-term payable for land use rights	26	**8,953**	10,173
Long-term payable for license fee		**8,225**	10,592
Convertible bonds	27	**945,182**	—
Total non-current liabilities		**1,539,344**	145,788

		As at 31 December	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*23*	**645,923**	931,664
Taxation payable		**12,979**	9,984
Deferred revenue		**27,741**	42,124
Borrowings	*24*	**—**	819,473
Total current liabilities		**686,643**	1,803,245
Total liabilities		**2,225,987**	1,949,033
Total equity and liabilities		**6,887,207**	3,496,448
Net current assets/(liabilities)		**3,274,135**	(696,236)
Total assets less current liabilities		**6,200,564**	1,693,203

Zhu Xin Li
Director

Jiang Xu
Director

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*10(a)*	**9,292,046**	—
Loans to subsidiaries	*10(b)*	**1,096,289**	—
Total non-current assets		**10,388,335**	—
Current assets			
Trade and other receivables		**2,024**	—
Derivative financial instruments	*12*	**1,568**	—
Cash and cash equivalents	*18*	**75,891**	—
Total current assets		**79,483**	—
Total assets		**10,467,818**	—
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*19*	**114**	—
Share premium	*19*	**3,716,982**	—
Other reserves	*21*	**4,930,809**	(53,795)
Retained earnings			
— Proposed final dividend	*20, 37*	**160,054**	—
— Others	*20*	**168,298**	(185)
Total equity		**8,976,257**	(53,980)
LIABILITIES			
Non-current liabilities			
Borrowings	*24*	**511,322**	—
Convertible bonds	*27*	**945,182**	—
Total non-current liabilities		**1,456,504**	—
Current liabilities			
Trade and other payables	*23*	**35,057**	53,980
Total current liabilities		**35,057**	53,980
Total liabilities		**1,491,561**	53,980
Total equity and liabilities		**10,467,818**	—
Net current assets/(liabilities)		**44,426**	(53,980)
Total assets less current liabilities		**10,432,761**	(53,980)

Zhu Xin Li
Director

Jiang Xu
Director

The notes on pages 64 to 136 are an integral part of this financial statement.

Consolidated Income Statement

Year ended 31 December 2007

	Note	Year ended 31 December **2007** ***RMB'000***	 2006 *RMB'000*
Revenue	*28*	**2,656,337**	2,066,275
Cost of sales	*31*	**(1,707,144)**	(1,390,345)
Gross profit		**949,193**	675,930
Selling and marketing expenses	*31*	**(569,677)**	(379,015)
Administrative expenses	*31*	**(132,563)**	(114,246)
Other income	*29*	**70,547**	103,376
Other gains	*30*	**23,420**	—
Interest income from subscription monies from initial public offering of shares		**206,814**	—
Finance income/(costs) — net	*33*	**129,871**	(55,328)
Profit before income tax		**677,605**	230,717
Income tax expense	*34*	**(37,388)**	(9,734)
Profit for the year		**640,217**	220,983
Attributable to:			
Equity holders of the Company		**640,217**	221,611
Minority interest		**—**	(628)
		640,217	220,983
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB cents per share)			
— basic	*36*	**46.9**	26.8
— diluted	*36*	**35.9**	26.8
Dividends	*37*	**160,054**	—

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 December 2007

		Attributable to equity holders of the Company									
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve fund *RMB'000*	Staff welfare fund *RMB'000*	Share-based compensation reserve *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Minority interest *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2007		**—**	**—**	**1,258,036**	**62,897**	**16,523**	**—**	**(53,795)**	**263,754**	**—**	**1,547,415**
Effect of reorganisation		**64**	**—**	**(64)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Profit appropriation to statutory reserves		**—**	**—**	**—**	**33,053**	**—**	**—**	**—**	**(33,053)**	**—**	**—**
Gross proceeds from placing and public offering of shares	19	**48**	**3,682,122**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,682,170**
Share issuance costs		**—**	**(196,940)**	**—**	**—**	**—**	**—**	**53,795**	**—**	**—**	**(143,145)**
Deemed distribution to equity holders	27	**—**	**—**	**(1,300,806)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,300,806)**
Share converted from convertible bonds		**2**	**231,800**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**231,802**
Share-based payment expenses	22	**—**	**—**	**—**	**—**	**—**	**3,567**	**—**	**—**	**—**	**3,567**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**640,217**	**—**	**640,217**
Transfer		**—**	**—**	**42,834**	**—**	**—**	**—**	**—**	**(42,834)**	**—**	**—**
Balance at 31 December 2007		**114**	**3,716,982**	**—**	**95,950**	**16,523**	**3,567**	**—**	**828,084**	**—**	**4,661,220**
Balance at 1 January 2006		—	—	1,440,349	27,473	16,523	—	—	71,063	58,245	1,613,653
Contributions by capital injection		—	—	124,011	—	—	—	—	6,504	—	130,515
Acquisition of equity interests from minority shareholders		—	—	27,016	—	—	—	—	—	(27,016)	—
Deferred tax credited to equity		—	—	47,561	—	—	—	—	—	—	47,561
Share issuance costs		—	—	—	—	—	—	(53,795)	—	—	(53,795)
Distribution to equity holders		—	—	(380,901)	—	—	—	—	—	(30,601)	(411,502)
Profit appropriation to statutory reserves		—	—	—	35,424	—	—	—	(35,424)	—	—
Profit/(loss) for the year		—	—	—	—	—	—	—	221,611	(628)	220,983
Balance at 31 December 2006		—	—	1,258,036	62,897	16,523	—	(53,795)	263,754	—	1,547,415

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	38	**7,696**	349,773
Interest paid		**(36,713)**	(45,012)
Interest received		**76,341**	1,778
Income tax paid		**(37,209)**	(13,048)
Net cash generated from operating activities		**10,115**	293,491
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	41	**(101,312)**	—
Purchase of property, plant and equipment (PPE)		**(588,084)**	(253,241)
Proceeds from sale of PPE		**31,943**	36,699
Cash received on government grant		**5,579**	6,921
Purchase of land use rights		**(206,988)**	(42,710)
Decrease in loans/balances due from related parties		**—**	520,174
(Increase)/decrease in restricted cash		**(4,692)**	21,634
Increase in other loans and receivables		**(1,246,000)**	—
Net cash outflow arising from deemed distribution to equity holder		**—**	(1,520)
Net cash (used in)/generated from investing activities		**(2,109,554)**	287,957
Cash flows from financing activities			
Proceeds of issuance of shares		**3,485,230**	—
Interest income from subscription monies from initial public offering of shares		**206,814**	—
Proceeds from banks and other financial institution borrowings		**633,286**	910,000
Proceeds from borrowings from related parties		**—**	62,511
Repayments of borrowings from bank and other financial institution		**(968,060)**	(809,454)
Repayments of borrowings from related parties		**—**	(528,422)
Capital injections from equity holder		**—**	130,515
Distribution to equity holder		**—**	(281,782)
Net cash generated from/(used in) financing activities		**3,357,270**	(516,632)
Net increase in cash and cash equivalents		**1,257,831**	64,816
Cash and cash equivalents at beginning of the year	18	**90,810**	25,994
Exchange losses on cash and cash equivalents		**(58,421)**	—
Cash and cash equivalents at end of the year	18	**1,290,220**	90,810

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

China Huiyuan Juice Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and sales of juice beverages in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") which included exchange of shares to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of Huiyuan Beijing Holdings Limited, Huiyuan Shanghai Holdings Limited and Huiyuan Chengdu Holdings Limited (the "BVI Companies"), the then holding companies of all other companies comprising the Group and consequently became the holding company of the Group. The Reorganisation was completed on 23 February 2007.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 23 February 2007.

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 31 March 2008.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2. BASIS OF PREPARATION (continued)

Prior to and following the Reorganisation, the Company and its subsidiaries were and are directly or indirectly controlled by the same shareholders. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The consolidated financial statements of the Group for the year ended 31 December 2007 including comparative figures have been prepared on the merger basis as if the Company has been the holding company of these companies comprising the Group since 1 January 2006, or since their dates of incorporation, or from the effective dates of acquisition or up to the effective dates of disposal.

In addition to the companies comprising the Group, the comparative figures also includes the assets, liabilities, results of operation, cash flows and changes in equity of the following companies which were involved in the juice beverages business and were under common control and management with the other subsidiaries comprising the Group.

	Name of company	Date of establishment	Place of incorporation	Issue and fully paid up capital
1	Beijing Huiyuan Juice & Beverage group Yichang Co., Ltd. (“Yichang”)	10 June 1998	The PRC	RMB14,250,000
2	Huiyuan Beverage & Food Group Youyu Co., Ltd. (“Youyu”)	12 January 1999	The PRC	RMB16,133,500
3	Beijing Huiyuan Beverage & Food Yanbian Co., Ltd. (“Yanbian”)	19 July 2002	The PRC	RMB50,000,000

These companies were majority owned by Beijing Huiyuan Beverage & Food Group Co., Ltd., a related company, during the six months ended 30 June 2006, and have ceased business from 30 June 2006.

The following is the combined results of operations of the three companies that are included in the comparative figures:

	2006 *RMB'000*
Revenue	14,103
Other gains, net	160
Operating loss	(938)
Finance costs — net	(1,554)
Income tax expense	(15)
Loss	(2,507)

2. BASIS OF PREPARATION (continued)

The assets and liabilities of Yichang, Youyu and Yanbian as at 30 June 2006 were reflected as a deemed distribution to the equity holder in the consolidated statement of changes in equity for the year ended 31 December 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2006, as set out in the annual report of the Group for year ended 31 December 2006, unless otherwise stated.

(a) In current year, the Group has applied, for the first time, the following new standards, amendments to standards and interpretations which are mandatory for financial year beginning on or after 1 January 2007:

- IFRS 7 Financial instruments: Disclosures, and the complementary amendment to IAS 1 Presentation of financial statements — Capital disclosures, introduce new disclosures relating to financial instruments. These standards do not have any impact on the classification and valuation of the Group's financial instruments;

- IFRIC Int. 7 Applying the Restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies, is not relevant to the Group's operations;

- IFRIC Int. 8 Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2. This interpretation has no impact on these consolidated financial statements;

- IFRIC Int. 9 Reassessment of Embedded Derivatives, requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group has already assessed its embedded derivative using principles consistent with IFRIC Int. 9; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRIC Int.10 Interim Financial reporting and Impairment, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on these consolidated financial statements.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IAS 1 (Revised) Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2009. IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from 1 January 2009;

- IFRIC Int.11 IFRS 2 — Group and Treasury Share Transactions, effective for annual periods beginning on or after 1 March 2007. IFRIC Int.11 addresses how to apply IFRS 2 Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. Management is currently assessing the impact of this interpretation on the Group's financial statements;

- IAS 23 (revised 2007) Borrowing Costs, effective for annual periods beginning on or after 1 January 2009. IAS 23 (revised 2007) removes the option of expensing the borrowing costs and requires an entity to capitalise borrowing costs attributable to qualifying assets. Management is currently assessing the impact of this standard on the Group's financial statements;

- IFRS 8 Operating segments, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRIC Int.12 Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008. IFRIC Int.12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As the Group does not participate in service concession arrangements, IFRIC Int.12 is not relevant to the Group's operations;

- IFRIC Int 13 Customer loyalty programmes, effective for annual periods beginning on or after 1 July 2008. IFRIC Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. Management is currently assessing the impact of this interpretation on the Group's financial statements;

- IFRIC Int 14 IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction, effective for annual periods beginning on or after 1 January 2008. IFRIC Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements;

- IAS 32 and IAS 1 Amendments Puttable Financial Instruments and Obligations Arising on Liquidation, effective for annual periods beginning on or after 1 January 2009. The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This is not relevant to the Group's financial statements;

- IAS 27 (Revised) Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2009. The revised standard requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. This is not relevant to the Group's financial statements;

- IFRS 2 (Revised) Share-based Payment — Vesting Conditions and Cancellations, effective from annual periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management is currently assessing the impact of this interpretation on the Group's financial statements; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 3 (Revised) Business Combinations, effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half 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.

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

Acquisitions of entities that are under common control have been combined using the uniting of interest method. Other acquisitions of subsidiaries by the Group are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and 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 at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 3.7).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Consolidation (continued)

(a) *Subsidiaries* (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies 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.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity participants of the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the Group's equity. Difference between any consideration paid and the relevant share acquired of the carrying value of net assets of subsidiaries arising on purchase from majority interests are also recorded in the Group's equity.

3.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the applicable exchange rates quoted by the People's Bank of China prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment

Property, plant and equipment which consist of buildings, machinery, motor vehicles and furniture and equipment, are stated at historical cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the Group and such cost incremental can be measured reliably. Repairs and maintenance are charged to the income statement in the period incurred.

Depreciation of assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Machinery	13 years
Motor vehicles	5–8 years
Furniture and office equipment	5–6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

3.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Barter transactions

When goods are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods given up, adjusted by the amount of any cash or cash equivalents transferred.

3.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 3.8).

(b) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (30 years).

(c) License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost comprises the capitalised present value of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license right.

License rights are amortised using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets — 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 included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and other loans and receivables in the balance sheet (Note 3.12 and 3.13).

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Other loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. Impairment testing of trade receivables is described in Note 3.12.

3.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement within other gains.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Trade payables

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

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

3.17 Convertible bonds

Convertible bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of the Company's shares are conversion right derivatives. Redemption rights and interest settlement options at the option of holders which are not closely related to the host contract are also embedded derivatives and are accounted together with conversion right as a single derivative. At the date of issue of the convertible bonds, the derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of derivative from the fair value of the convertible bonds as a whole.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion right derivative is measured at fair value with changes in fair value recognised in the consolidated income statement.

The liability component and the related embedded derivative of the conversion bond is presented as a separate line item on the face of the balance sheet as non-current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Convertible bonds (continued)

If the bonds are converted, the respective conversion right derivatives in the convertible bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

3.18 License fee payables

License fee payables are initially recorded at fair value, which represents the present value of the fixed minimum periodic payments to be made in subsequent years at the time of the acquisition (Note 3.7(c)). They are subsequently stated at amortised cost using the effective interest method less amounts paid.

3.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the relevant municipal and provincial governments in the PRC. The relevant municipal and provincial government undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the share-based compensation is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted as at the dates of grant, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Other benefits

Other directors and employee's obligations are recorded as a liability and charged to the income statements when the Group is continually obliged or when there is a past practice that has created a constructive obligation.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Revenue recognition

Revenue comprises the fair value of the sales of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3.23 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement as other income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement as other income on a straight-line basis over the expected lives of the related assets.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk, and capital risk. Financial risk management is carried out by group treasury which identifies, evaluates and hedges financial risk in accordance to policies approved by the Board of Directors.

(a) Foreign exchange risk

The Group's production depends on import of certain raw materials and the Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to the United States Dollar ("USD") and the Euro. The Group is also exposed to foreign currency exchange risk arising from the bank deposits, convertible bonds and long term bank borrowings denominated in the USD. The Group uses forward contract/derivative instruments to hedge against certain foreign exchange exposures.

At 31 December 2007, if the RMB has weakened/strengthened by 1% against the USD with all other variables held constant, post-tax profit for the year would have been RMB14,565,000 (2006: nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated convertible bonds and bank borrowings.

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. Most of the Group's sales are settled in cash or by cheque by its customers on delivery of goods. Credit sales are made only to selected long-term customers. The Group has policies in place to ensure that trade receivables are followed up on a timely basis. The balance of the trade receivables from the top 5 largest customers is RMB78,718,000 at 31 December 2007 (2006: RMB83,328,000), representing 45% of the total balance of trade receivables at 31 December 2007 (2006: 51%).

The table below shows the trade receivable balances of five largest customers at the balance sheet date:

	Credit limit *RMB'000*	**2007** ***RMB'000***
[1]Beijing Huiyuan Tongwei Trading Co., Ltd.	70,000	**34,214**
[1]Huanggang Huiyuan Concession Store Co., Ltd.	19,500	**15,166**
[1]Shanghai Huiyuan Food & Beverage Sales Co., Ltd.	26,000	**11,599**
[1]Yichang Huiyuan Juice Drink Sales Co., Ltd.	10,000	**9,922**
[1]Chengdu Huiyuan Juice Trade Centre Co., Ltd.	9,700	**7,817**
		78,718

[1] The English names of these customers represent management's best efforts at translating their Chinese names as no English names have been registered.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) ***Credit risk*** (continued)

The table below shows the balances of five major banks at the balance sheet date, four of which are state-owned. The balance represents 84% of the total bank balances at 31 December 2007 (2006: 98%).

Cash and cash equivalents

	2007	2006
	RMB'000	*RMB'000*
Bank of Communications Co., Ltd.	**341,091**	129
Agricultural Bank of China	**305,232**	27,392
China Construction Bank Corporation	**174,556**	21,567
Bank of Beijing Co., Ltd.	**140,002**	—
Bank of China Limited	**127,852**	39,904
	1,088,733	88,992

The Group's other loans and receivables represent various structured deposits denominated in RMB in banks with maturities in a range from 45 days to 100 days. The interest return on these structured deposits are estimated at a range from 1.9% to 3.42%. These other loans and receivables are placed in state-owned banks and Beijing branch of international financial institutions, as follows:

	2007	2006
	RMB'000	*RMB'000*
Bank of Communications Co., Ltd.	**502,445**	—
Standard Chartered Bank (China) Limited, Beijing Branch	**477,823**	—
Industrial And Commercial Bank of China Limited	**170,095**	—
BNP Paribas (China) Limited	**100,355**	—
	1,250,718	—

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Unused proceeds from fund raising through issuance of shares or borrowings will be put in short-term deposits and short-term structured deposits with banks in Hong Kong and the PRC. The Group's objective is to maintain adequate cash and cash equivalents and committed credit lines to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
Group				
At 31 December 2007				
Bank borrowings	—	—	511,322	—
Interest payable for bank borrowings	33,167	33,167	33,931	—
Convertible bonds	—	—	945,182	—
Trade and other payables	645,923	—	—	—
Long term payable for land use right	—	1,333	4,000	3,620
Long term payable for license fee	—	3,290	4,935	—
At 31 December 2006				
Bank borrowings	819,473	36,274	18,137	—
Interest payable for bank borrowings	27,051	1,752	129	—
Trade and other payables	931,664	—	—	—
Long term payable for land use right	—	1,333	4,000	4,840
Long term payable for license fee	—	4,012	6,580	—
Company				
At 31 December 2007				
Bank borrowings	—	—	511,322	—
Interest payable for bank borrowings	33,167	33,167	33,931	—
Convertible bonds	—	—	945,182	—
Trade and other payables	35,057	—	—	—
At 31 December 2006				
Trade and other payables	53,980	—	—	—

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at each balance sheet dates, substantially all of the Group's borrowings were carried at market lending rates.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as the total of borrowings divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2007, the debt-to-equity ratio was 31.2% (including convertible bonds), and 11.0% (excluding convertible bonds) respectively (2006: 56.5%).

4.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is 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. Quoted market prices or prices quoted from dealers for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates 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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and impairment assessment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

(c) Useful lives of trademarks

The Group's management determines the estimated useful lives and related amortisation charges for its trademarks. This estimate is based on projected sales of those products associated with the trademark. It could change significantly as a result of competitors' actions as well as customers' taste. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down to the recoverable amount when there is any indication that the carrying amount is not recoverable.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimations at each balance sheet date.

(e) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Provision for impairment of trade receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimates has been changed.

6. SEGMENT REPORTING

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales of juice and other beverage products. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues and results. Also, less than 10% of the Group's total assets are located outside the PRC. Accordingly, no geographical segment is presented.

7. LAND USE RIGHTS — GROUP

	2007 **RMB'000**	2006 RMB'000
At beginning of year		
Cost	**240,158**	92,594
Accumulated amortisation	**(9,487)**	(4,587)
Net book value	**230,671**	88,007
Representing:		
Opening net book amount	**230,671**	88,007
Additions	**79,688**	152,286
Acquisition of a subsidiary *(Note 41)*	**32,113**	—
Amortisation charge *(Note 31)*	**(5,073)**	(4,900)
Disposals	**—**	(4,722)
Closing net book amount	**337,399**	230,671

Land use rights consist of prepaid lease payments for land in the PRC for period of 50 years.

The Group is in the process of applying for formal legal title to land use rights amounting to RMB50,165,000 (2006: RMB43, 417,000) as at 31 December 2007.

(a) Amortisation of land use rights have been charged to the consolidated income statement as follows:

	2007 **RMB'000**	2006 RMB'000
Cost of sales	**3,602**	3,479
Administrative expenses	**1,471**	1,421
	5,073	4,900

7. LAND USE RIGHTS — GROUP (continued)

(b) Land use rights pledged as security for borrowings were as follows:

	2007 RMB'000	2006 RMB'000
Net book value of land use rights pledged	—	5,011
Corresponding borrowings	—	7,132

8. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2006						
Opening net book amount	224,420	1,272,523	51,678	8,271	222,604	1,779,496
Additions	4,191	8,500	9,621	7,469	207,306	237,087
Transfer upon completion	8,070	136,205	321	100	(144,696)	—
Disposals	—	(18,131)	(11,867)	—	(8,458)	(38,456)
Deemed distribution to equity holder	(4,926)	(34,960)	(817)	(357)	—	(41,060)
Depreciation *(Note 31)*	(6,640)	(110,751)	(10,227)	(3,504)	—	(131,122)
Closing net book amount	225,115	1,253,386	38,709	11,979	276,756	1,805,945
At 31 December 2006						
Cost	245,842	1,613,879	84,191	24,317	276,756	2,244,985
Accumulated depreciation	(20,727)	(360,493)	(45,482)	(12,338)	—	(439,040)
Net book amount	225,115	1,253,386	38,709	11,979	276,756	1,805,945
Year ended 31 December 2007						
Opening net book amount	**225,115**	**1,253,386**	**38,709**	**11,979**	**276,756**	**1,805,945**
Acquisition of a subsidiary *(Note 41)*	**11,437**	**3,616**	**191**	**125**	**123,400**	**138,769**
Additions	**5,433**	**21,582**	**13,599**	**25,494**	**399,131**	**465,239**
Transfer upon completion	**94,729**	**259,260**	**1,637**	**6,041**	**(361,667)**	**—**
Disposals	**(274)**	**(14,560)**	**(13,988)**	**(83)**	**—**	**(28,905)**
Depreciation *(Note 31)*	**(9,136)**	**(115,605)**	**(10,550)**	**(4,645)**	**—**	**(139,936)**
Closing net book amount	**327,304**	**1,407,679**	**29,598**	**38,911**	**437,620**	**2,241,112**
At 31 December 2007						
Cost	**357,164**	**1,876,907**	**86,887**	**55,871**	**437,620**	**2,814,449**
Accumulated depreciation	**(29,860)**	**(469,228)**	**(57,289)**	**(16,960)**	**—**	**(573,337)**
Net book amount	**327,304**	**1,407,679**	**29,598**	**38,911**	**437,620**	**2,241,112**

8. PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

(a) Depreciation expenses have been charged to consolidated income statement as follows:

	2007	2006
	RMB'000	*RMB'000*
Cost of sales	**115,605**	112,344
Selling and marketing expenses	**10,550**	7,678
Administrative expenses	**13,781**	11,100
	139,936	131,122

(b) Lease rentals amounting to approximately RMB5,231,000 for the year ended 31 December 2007 (2006: RMB7,389,000) relating to the lease of building and machinery are included in the consolidated income statement.

(c) Property, plant and equipment pledged as security for bank borrowings were as follows:

	2007	2006
	RMB'000	*RMB'000*
Net book value of property, plant and equipment pledged	**—**	89,647
Corresponding borrowings	**—**	127,580

(d) Buildings with net book amount approximately RMB28,163,000 as at 31 December 2007 (2006: RMB60,270,000) are built on land which the Group is in the process of applying for the land use rights.

9. INTANGIBLE ASSETS — GROUP

	Goodwill *RMB'000*	Trademarks *RMB'000*	License right *RMB'000*	Total *RMB'000*
Year ended 31 December 2006				
Opening net book amount	164,232	165,057	—	329,289
Additions	—	—	11,863	11,863
Amortisation *(Note 31)*	—	(5,931)	(3,650)	(9,581)
Closing net book amount	164,232	159,126	8,213	331,571
At 31 December 2006				
Cost	164,232	177,905	11,863	354,000
Accumulated amortisation	—	(18,779)	(3,650)	(22,429)
Net book amount	164,232	159,126	8,213	331,571
Year ended 31 December 2007				
Opening net book amount	**164,232**	**159,126**	**8,213**	**331,571**
Acquisition of a subsidiary *(Note 41)*	**1,835**	**—**	**—**	**1,835**
Amortisation *(Note 31)*	**—**	**(6,668)**	**(2,912)**	**(9,580)**
Closing net book amount	**166,067**	**152,458**	**5,301**	**323,826**
At 31 December 2007				
Cost	**166,067**	**177,905**	**11,863**	**355,835**
Accumulated amortisation	**—**	**(25,447)**	**(6,562)**	**(32,009)**
Net book amount	**166,067**	**152,458**	**5,301**	**323,826**

9. INTANGIBLE ASSETS — GROUP (continued)

(a) Amortisation of intangible assets has been charged to administrative expenses in the consolidated income statement.

(b) Impairment tests for goodwill

The goodwill of RMB164,232,000 was generated from acquisition of certain subsidiaries, all of which are engaged in the production of juice in the PRC. Therefore, these acquired subsidiaries were collectively viewed as one cash-generating unit ("CGU"). The additional goodwill of RMB1,835,000 in 2007 was generated from acquisition of 100% equity interest in Jiangsu Huiyuan Food & Beverage Co., Ltd. ("Jiangsu Huiyuan") by one subsidiary of the Company. Jiangsu Huiyuan was viewed as one CGU. The recoverable amount of above two CGUs are determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a five-year period, and discount rate of 6.48%. Cash flow projections during the forecast period for the CGUs are based on the expected growth rate of 20% each year during the forecast period which have been determined based on past performance and management's expectations for the market development.

The directors are of the view that there was no impairment of goodwill as at 31 December 2007.

10. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2007	2006
	RMB'000	*RMB'000*
Unlisted equity investments, at cost:	**9,292,046**	—

10. INVESTMENTS IN AND LOANS TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

The following is a list of the subsidiaries at 31 December 2007:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Directly held				
Huiyuan Beijing Holdings Limited	The British Virgin Islands (the "BVI")	Investment holdings	US$50,000	100%
Huiyuan Shanghai Holdings Limited	The BVI	Investment holdings	US$50,000	100%
Huiyuan Chengdu Holdings Limited	The BVI	Investment holdings	US$50,000	100%
Indirectly held				
[1]Beijing Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Beijing Huiyuan Group Huanggang Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB300,000,000	100%
[1]Beijing Huiyuan Group Kaifeng Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Harbin Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Jiujiang Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB250,000,000	100%
[1]Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	RMB200,000,000	100%
[1]Shanghai Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Beijing Xinyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Luzhong Huiyuan Food & Beverage Co., Ltd.	The PRC	Manufacture of fruit and vegetable juices	US$50,000,000	100%
[1]Xinjiang Huiyan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	RMB20,000,000	100%
[1]Hebei Huiyuan Food & Beverage Co., Ltd*	The PRC	Manufacture of fruit and vegetable juices	RMB80,000,000	100%
[1]Qiqihaer Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$15,000,000	100%
[1]Jilin Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Jinzhou Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$29,990,000	100%
[1]Jiangxi Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$29,000,000	100%
[1]Guilin Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$10,000,000	100%
[1]Shanxi Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$20,000,000	100%
[1]Anhui Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$29,800,000	100%
[1]Dezhou Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$40,000,000	100%
[1]Tai'an Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$6,000,000	100%
[1]Jiangsu Huiyuan Food & Beverage Co., Ltd.*	The PRC	Manufacture of fruit and vegetable juices	US$13,000,000	100%

1. The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

* These subsidiaries are newly established or acquired during the year of 2007, which amounted to RMB1,666,247,000.

10. INVESTMENTS IN AND LOANS TO SUBSIDIARIES (continued)

(b) Loans to subsidiaries

The loans to subsidiaries are unsecured, interest free, denominated in USD and EUR, and repayable over three years. The fair values of loans to subsidiaries are RMB951,726,000 (2006: nil), which are based on cashflows discounted using a rate based on the borrowing rate of 6.4866% (2006: nil). The discounted rate equals to LIBOR plus certain credit rating.

11. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables *RMB'000*	**Derivatives** *RMB'000*	**Total** *RMB'000*
Assets as per consolidated balance sheet			
31 December 2007			
Derivative financial instruments *(Note 12)*	—	1,568	1,568
Trade receivables *(Note 15)*	164,666	—	164,666
Bills receivable *(Note 15)*	68,729	—	68,729
Other receivables *(Note 15)*	15,816	—	15,816
Receivables from and loans to related parties *(Note 15)*	14,719	—	14,719
Other loans and receivables *(Note 13)*	1,250,718	—	1,250,718
Restricted cash *(Note 17)*	10,033	—	10,033
Cash and cash equivalents *(Note 18)*	1,290,220	—	1,290,220
Total	2,814,901	1,568	2,816,469
31 December 2006			
Trade receivables *(Note 15)*	155,177	—	155,177
Bills receivable *(Note 15)*	54,776	—	54,776
Other receivables *(Note 15)*	13,352	—	13,352
Receivables from and loans to related parties *(Note 15)*	82,991	—	82,991
Restricted cash *(Note 17)*	5,341	—	5,341
Cash and cash equivalents *(Note 18)*	90,810	—	90,810
Total	402,447	—	402,447

11. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

	Derivatives	Other financial liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
Liabilities as per consolidated balance sheet			
31 December 2007			
Borrowings *(Note 24)*	—	511,322	511,322
Trade payables *(Note 23)*	—	266,955	266,955
Other payables *(Note 23)*	—	370,669	370,669
Payables to and loans from related parties *(Note 23)*	—	8,299	8,299
Convertible bonds *(Note 27)*	440,618	504,564	945,182
Long term payables	—	17,178	17,178
Total	440,618	1,678,987	2,119,605
31 December 2006			
Borrowings *(Note 24)*	—	873,884	873,884
Trade payables *(Note 23)*	—	236,990	236,990
Other payables *(Note 23)*	—	602,814	602,814
Payables to and loans from related parties *(Note 23)*	—	91,860	91,860
Long term payables	—	20,765	20,765
Total	—	1,826,313	1,826,313

11. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

	Loans and receivables RMB'000	Derivatives RMB'000	Total RMB'000
Assets as per balance sheet			
31 December 2007			
Loans to subsidiaries *(Note 10(b))*	1,096,289	—	1,096,289
Trade and other receivables	2,024	—	2,024
Derivative financial instruments *(Note 12)*	—	1,568	1,568
Cash and cash equivalents *(Note 18)*	75,891	—	75,891
Total	1,174,204	1,568	1,175,772
31 December 2006	—	—	—

	Derivatives RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per balance sheet			
31 December 2007			
Trade and other payables *(Note 23)*	—	35,057	35,057
Borrowings *(Note 24)*	—	511,322	511,322
Convertible bonds *(Note 27)*	440,618	504,564	945,182
Total	440,618	1,050,943	1,491,561
31 December 2006			
Trade and other payables *(Note 23)*	—	53,980	53,980

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2007	2006
	RMB'000	*RMB'000*
Current portion		
Interest rate swaps (a)	**1,568**	—

(a) The notional amount of the outstanding interest rate swap contract at 31 December 2007 was USD70,000,000 (2006: nil). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

13. OTHER LOANS AND RECEIVABLES — GROUP

	2007	2006
	RMB'000	*RMB'000*
Other loans and receivables	**1,250,718**	—

Other loans and receivables represent various structured deposits denominated in RMB in banks with maturities in a range from 45 days to 100 days. The interest return on these structured deposits are estimated at a range from 1.9% to 3.42%. These financial assets are carried at amortised cost using the effective interest method.

Other loans and receivables are presented within "investing activities" as part of changes in working capital in the cashflow statement.

14. DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	2007	2006
	RMB'000	*RMB'000*
Deferred tax assets:		
— deferred tax assets to be recovered after more than 12 months	**24,092**	21,252

Provided for in respect of:

	2007	2006
	RMB'000	*RMB'000*
Government grants received	**5,328**	7,388
Provision for impairment of receivables	**498**	541
Provision for impairment of inventories	**4,596**	2,326
Amortisation of trademark	**9,037**	8,932
Other temporary differences	**4,633**	2,065
	24,092	21,252

The movement in deferred tax assets is as follows:

	Provisions	**Deferred government grants**	**Amortisation of trademark**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	3,328	10,014	—	140	13,482
Charged to equity	—	—	9,015	—	9,015
Credited/(Charged) to consolidated income statement	1,401	(2,626)	(83)	63	(1,245)
At 31 December 2006	4,729	7,388	8,932	203	21,252
Credited/(Charged) to consolidated income statement	4,206	(2,060)	105	589	2,840
At 31 December 2007	8,935	5,328	9,037	792	24,092

14. DEFERRED TAX ASSETS (continued)

The movement in deferred tax liabilities was as follows:

	Amortisation of trademark *RMB'000*
At 1 January 2006	38,902
Charged to equity	(38,546)
Credited to consolidated income statement	(356)
At 31 December 2006	—

15. TRADE AND OTHER RECEIVABLES — GROUP

	2007 ***RMB'000***	2006 *RMB'000*
Trade receivables	**164,668**	155,189
Related parties (a) *(Note 42(c))*	**2**	12
Third parties (a)	**173,381**	163,063
Less: Provision for impairment of receivables (a)	**(8,715)**	(7,886)
Bills receivable – third parties (b)	**68,729**	54,776
Prepayments of raw materials and others	**402,265**	181,728
Related parties *(Note 42(c))*	**220,757**	57,472
Third parties (c)	**181,508**	124,256
Other receivables	**30,533**	96,331
Related parties *(Note 42(c))*	**14,717**	82,979
Third parties (d)	**15,816**	13,352
	666,195	488,024

The carrying amounts of receivables approximate their fair values.

15. TRADE AND OTHER RECEIVABLES — GROUP (continued)

(a) Credit risk with respect to trade receivables is not significant, as the Group has a large number of customers, which are widely dispersed within the PRC. The majority of the Group's sales are settled in cash or by cheque on delivery of goods. The remaining amounts are with credit terms of 90–180 days. As at 31 December 2007 and 2006, the ageing analysis of the trade receivables was as follows:

— Third parties

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**143,015**	105,361
Between 4 and 6 months	**25,653**	42,277
Between 7 and 12 months	**4,573**	15,287
Between 1 and 2 years	**140**	138
	173,381	163,063

— Related parties

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**2**	—
Over 3 months	**—**	12
	2	12

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
	RMB'000	*RMB'000*
At 1 January	**(7,886)**	(20,020)
Provision for receivables impairment	**(829)**	(7,696)
Receivables written off during the year as uncollectable	**—**	2,900
Amounts reversed due to subsequent collection	**—**	16,930
At 31 December	**(8,715)**	(7,886)

15. TRADE AND OTHER RECEIVABLES — GROUP (continued)

As at 31 December 2007, there is no trade receivables past due but not impaired. Trade receivables of RMB8,715,000 (2006: RMB7,886,000) were past due and fully provided for bad debt provision. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
3 to 6 months	**4,002**	—
Over 6 months	**4,713**	7,886
	8,715	7,886

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007	2006
	RMB'000	*RMB'000*
RMB	**160,360**	143,732
USD	**4,308**	11,457
	164,668	155,189

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 31). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Bills receivable

Bills receivable are bills of exchange with maturity dates of less than 6 months and are non-interest bearing.

There are no bills receivable pledged as security for bank borrowings as at 31 December 2007 (2006: nil).

15. TRADE AND OTHER RECEIVABLES — GROUP (continued)

(c) Prepayments

— Third parties

	2007	2006
	RMB'000	*RMB'000*
Prepayments for raw materials	**84,930**	92,963
Prepaid advertisement expenses	**53,134**	31,293
Prepayments for equipment	**34,423**	—
Others	**9,021**	—
	181,508	124,256

(d) Other receivables

— Third parties

	2007	2006
	RMB'000	*RMB'000*
Government grant receivables	**1,129**	3,526
Deposits receivables	**4,712**	4,523
Advances to employees	**4,189**	2,156
Others	**5,786**	3,147
	15,816	13,352

16. INVENTORIES — GROUP

	2007	2006
	RMB'000	*RMB'000*
Raw materials	**665,775**	462,844
Finished goods	**76,269**	59,990
	742,044	522,834

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to RMB1,404,456,000 (2006: RMB1,141,794,000).

17. RESTRICTED CASH

Restricted cash comprised bank deposits for maintenance of banking facilities and settlement of notes payable.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at banks and cash in hand				
Denominated in				
— RMB	**1,218,763**	92,684	**77**	—
— HKD	**1,052**	—	**568**	—
— USD	**76,677**	3,383	**75,191**	—
— EUR	**3,761**	84	**55**	—
	1,300,253	96,151	**75,891**	—
Less: Restricted cash *(Note 17)*				
— fixed deposits over 3 months	**(2,475)**	—	**—**	—
— guarantee	**(7,558)**	(5,341)	**—**	—
	1,290,220	90,810	**75,891**	—

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC is subject to the rules and regulation of exchange control promulgated by the PRC government.

19. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of USD 0.00001 each *(Thousands)*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2007	—	—	—	—
Shares issued to the existing shareholders (a)	**828,425**	**64**	—	**64**
Shares issued pursuant to the Global Offering (b, c)	**619,073**	**48**	**3,682,122**	**3,682,170**
Shares converted from convertible bonds (d)	**21,319**	**2**	**231,800**	**231,802**
Listing expenses	—	—	**(196,940)**	**(196,940)**
At 31 December 2007	**1,468,817**	**114**	**3,716,982**	**3,717,096**

The following changes in the Company's authorised and issued share capital took place during 2007:

(a) On 23 February 2007, the Company issued an aggregate of 828,424,999 shares of US$0.00001 each to the then shareholders of the other companies comprising the Group in exchange for the entire equity interests of the BVI Companies, in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Details of the reorganisation are set out in Note 1 to the financial statements.

(b) In addition, on 23 February 2007, the Company completed its placing and public offering of shares ("Global Offering") by issuing 559,072,502 shares of US$0.00001 each at a price of HK$6 per share (including 159,072,502 shares issued to an existing shareholder). The Company's shares were then listed on Main Board of The Stock Exchange of Hong Kong Limited.

(c) On 1 March 2007, an over-allotment option was exercised by the Company's underwriters and an additional 60,000,000 shares of US$0.00001 each were issued at a price of HK$6 per share.

Total proceeds from the share issues described in (b) and (c) above amounted to approximately RMB3,682,170,000. After deducting listing expenses of approximately RMB196,940,000, the net proceeds from these share issues amounted to approximately RMB3,485,230,000.

(d) As at 31 December 2007, bonds with face value US$14,000,000 have been converted in to ordinary shares of the Company at the price of HK$5.1 during the period from August to October 2007. Accordingly, ordinary shares of the Company increased by 21,318,607 shares as at 31 December 2007.

20. RETAINED EARNINGS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**263,754**	71,063	**(185)**	—
Contribution by capital injection	**—**	6,504	**—**	—
Profit/(Loss) for the year	**640,217**	221,611	**328,537**	(185)
Profit appropriation to statutory reserves	**(33,053)**	(35,424)	**—**	—
Transfer to capital reserve	**(42,834)**	—	**—**	—
At 31 December	**828,084**	263,754	**328,352**	(185)

21. OTHER RESERVES

Group

	Capital reserve	Statutory reserve fund	Staff welfare fund	Share-based compensation reserve	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (a)	*Note (b)*	*Note (b)*			
Balance at 1 January 2007	**1,258,036**	**62,897**	**16,523**	**—**	**(53,795)**	**1,283,661**
Effect of Reorganisation	**(64)**	**—**	**—**	**—**	**—**	**(64)**
Profit appropriation to statutory reserves	**—**	**33,053**	**—**	**—**	**—**	**33,053**
Deemed distribution to equity holders (c)	**(1,300,806)**	**—**	**—**	**—**	**—**	**(1,300,806)**
Share-based payment expenses	**—**	**—**	**—**	**3,567**	**—**	**3,567**
Transfer of share issuance costs to share premium	**—**	**—**	**—**	**—**	**53,795**	**53,795**
Transfer from retained earnings	**42,834**	**—**	**—**	**—**	**—**	**42,834**
Balance at 31 December 2007	**—**	**95,950**	**16,523**	**3,567**	**—**	**116,040**

21. OTHER RESERVES (continued)

Group (continued)

	Capital reserve *RMB'000* *Note (a)*	Statutory reserve fund *RMB'000* *Note (b)*	Staff welfare fund *RMB'000* *Note (b)*	Share-based compensation reserve *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
Balance at 1 January 2006	1,440,349	27,473	16,523	—	—	1,484,345
Contribution by capital injection	124,011	—	—	—	—	124,011
Acquisition of equity interests from minority shareholders	27,016	—	—	—	—	27,016
Deferred tax credited to equity	47,561	—	—	—	—	47,561
Share issuance costs	—	—	—	—	(53,795)	(53,795)
Deemed distribution to equity holders (c)	(380,901)	—	—	—	—	(380,901)
Profit appropriation to statutory reserves	—	35,424	—	—	—	35,424
Balance at 31 December 2006	1,258,036	62,897	16,523	—	(53,795)	1,283,661

21. OTHER RESERVES (continued)

Company

	Capital reserve RMB'000	Share-based RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2007	**—**	**—**	**(53,795)**	**(53,795)**
Effect of Reorganisation	**6,228,048**	**—**	**—**	**6,228,048**
Deemed distribution to equity holders (c)	**(1,300,806)**	**—**	**—**	**(1,300,806)**
Share-based payment expenses	**—**	**3,567**	**—**	**3,567**
Transfer of share issuance costs to share premium	**—**	**—**	**53,795**	**53,795**
Balance at 31 December 2007	**4,927,242**	**3,567**	**—**	**4,930,809**
Balance at 1 January 2006	—	—	—	—
Share issuance costs	—	—	(53,795)	(53,795)
Balance at 31 December 2006	—	—	(53,795)	(53,795)

(a) Capital reserve

Capital reserve as at 1 January 2007 represents the aggregate capital contributed by the then equity holders of the Group.

(b) Statutory reserves

Under the relevant PRC laws and regulations, PRC companies are required to appropriate a certain percentage of their respective net profit to two statutory funds — the statutory reserve fund and the statutory staff welfare fund. Details of the two funds are as follows:

(i) Statutory reserve fund

PRC companies are required to allocate 10% of the companies' net profit to the fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

(ii) Staff welfare fund

Percentage to be appropriated to the staff welfare fund and determined by board of directors of PRC companies. This fund can only use to provide staff welfare facilities and other collective benefits to the companies' employees. This fund is non-distributable other than in liquidation.

21. OTHER RESERVES (continued)

(c) Deemed distribution to equity holders represents:

(i) for the year ended 31 December 2006, distribution of equity interests of certain assets/businesses/subsidiaries to the equity holders.

(ii) for the year ended 31 December 2007, the taking up of convertible bonds amounting to RMB1,300,806,000 of the equity holders pursuant to an agreement dated 5 February 2007. Refer to Note 27 for details.

22. SHARE OPTION AND PRE-IPO SHARE OPTION

(a) Pre-IPO share option scheme

The Company adopted the Pre-IPO Share Option Scheme on 30 January 2007. The purpose of our Pre-IPO Share Option Scheme is to provide certain members of senior management of the Group an opportunity to have a personal stake in the Company and motivate the grantees to optimize their performance and efficiency to facilitate the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, as approved on 30 January 2007 are similar to the terms of the Share Option Scheme except for the following:

(a) the subscription price per share shall be the Offer Price per share; and

(b) save for the options which have been granted before 23 February 2007, i.e., the Listing Date, no further options will be offered or granted, as the right to do so will end upon the Listing Date.

The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 23 February 2007.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second and third anniversaries of the date of grant of an option, the relevant grantee may exercise up to 30%, 60%, and 100%, respectively, of the shares comprised in his or her option.

As at 31 December 2007, a total of 1,700,000 shares (representing approximately 0.12% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

22. SHARE OPTION AND PRE-IPO SHARE OPTION (continued)

(a) Pre-IPO share option scheme (continued)

Movement of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2007 is as follows:

Date of grant	Number of options outstanding as at 23 February 2007	Number of options lapsed during or cancelled during the year[1]	Number of options exercised during the year	Number of options outstanding as at 31 December 2007	Date of expiry	Exercise price (HK$)
30 January 2007	3,100,000	(1,400,000)	—	1,700,000	22 February 2017	6.00

(1) Mr. Lu Changqing resigned on 7 December 2007. Mr. Chen Zhiqiang resigned on 20 March 2007.

Fair value of share options

The fair value of the Pre-IPO options granted during the year ended 31 December 2007 have been valued by an independent qualified valuer using Binomial valuation model as follows:

	2007 *RMB'000*
Total fair value of Pre-IPO share options	**6,853**

22. SHARE OPTION AND PRE-IPO SHARE OPTION (continued)

(a) Pre-IPO share option scheme (continued)

Fair value of share options (continued)

Significant inputs into the model were as follows:

Spot share price (HK$)	**9**
Strike price (HK$)	**6**
Expected volatility	**34.40%**
Maturity (years)	**10**
Interest rate	**4.26%**
Dividend yield	**1.13%**
Suboptimal exercise factor	**1.5**

The expected volatility is estimated by making reference to the volatility of the other companies with the similar background or nature of business as the Company.

Fair value of Pre-IPO options is charged to the income statement over the vesting period of the options. Total share option expenses charged to the consolidated income statement during the year ended 31 December 2007 amounted to RMB3,567,000 (2006: nil).

(b) Share option scheme

A share option scheme (the "Post-IPO option scheme") was approved on 30 January 2007. This share option scheme will remain in force for a period of 10 years commencing from the listing date of 23 February 2007. The purpose of the scheme is to provide incentives and/or rewards to eligible persons for their contributions to the Group and their continuing efforts to promote the Group's interests.

Subsequent to 31 December 2007, on 25 February 2008, about 35,450,000 share options were granted under the Post-IPO option scheme (expiring date: 22 February 2017), as approved by Board of Directors of the Company. The share options have the following vesting dates and exercise prices:

Vesting date	Exercise price (per share) *HK$*	Outstanding options *(thousands)*
23 February 2008	**6.39**	**8,862**
23 February 2009	**6.39**	**8,862**
23 February 2010	**6.39**	**8,863**
23 February 2011	**6.39**	**8,863**
		35,450

23. TRADE AND OTHER PAYABLES

Group

	2007 RMB'000	2006 RMB'000
Trade payables (a) (b)	**275,116**	307,778
Related parties *(Note 42(c))*	**8,161**	70,788
Third parties	**266,955**	236,990
Other payables	**370,807**	623,886
Related parties *(Note 42(c))*	**138**	21,072
Third parties (c)	**370,669**	602,814
	645,923	931,664

(a) Details of ageing analysis of trade payables are as follows:

— Third parties

	2007 RMB'000	2006 RMB'000
Within 3 months	**254,045**	208,772
Between 4 and 6 months	**5,806**	14,503
Between 7 and 12 months	**3,252**	3,289
Between 1 and 2 years	**699**	3,447
Between 2 and 3 years	**979**	2,955
Over 3 years	**2,174**	4,024
	266,955	236,990

— Related parties

	2007 RMB'000	2006 RMB'000
Within 3 months	**8,161**	62,074
Between 4 and 6 months	**—**	1,638
Between 7 and 12 months	**—**	5,336
Between 1 and 2 years	**—**	941
Between 2 and 3 years	**—**	129
Over 3 years	**—**	670
	8,161	70,788

23. TRADE AND OTHER PAYABLES (continued)

Group (continued)

(b) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2007	2006
	RMB'000	*RMB'000*
RMB	**223,698**	299,920
USD	**45,860**	7,858
EUR	**5,558**	—
	275,116	307,778

(c) Details of other payables-third parties are as follows:

	2007	2006
	RMB'000	*RMB'000*
Bills payable	**—**	26,385
Advance from customers	**71,884**	46,168
Payable for property, plant and equipment	**82,562**	177,829
Payable for land use rights	**—**	127,300
Salary and welfare payable	**30,109**	36,999
Advertising and other marketing expenses payable	**17,810**	53,823
Accrued expenses	**38,417**	39,510
Deposits payable	**46,681**	23,124
Other taxes	**69,469**	27,596
Payable for share issuance costs	**—**	23,443
Others	**13,737**	20,637
	370,669	602,814

23. TRADE AND OTHER PAYABLES (continued)

Company

	2007	2006
	RMB'000	*RMB'000*
Other payables		
Listing expenses	**—**	53,795
Payable for interest of borrowing	**15,606**	—
Payable for expenses	**19,451**	185
	35,057	53,980

24. BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current				
Other financial institution borrowings	**—**	54,411	**—**	—
Bank borrowings	**511,322**	—	**511,322**	—
	511,322	54,411	**511,322**	—
Current				
Bank borrowings	**—**	781,172	**—**	—
Other financial institution borrowings	**—**	38,301	**—**	—
	—	819,473	**—**	—
Total borrowings	**511,322**	873,884	**511,322**	—
Borrowings:				
Secured and guaranteed	**—**	302,712	**—**	—
Unsecured	**511,322**	571,172	**511,322**	—

24. BORROWINGS (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates was as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
— Within 6 months	**511,322**	92,712	**511,322**	—
— Between 7 and 12 months	**—**	781,172	**—**	—
	511,322	873,884	**511,322**	—

The maturity dates of the borrowings were analysed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
— Within 1 year	**—**	819,473	**—**	—
— Between 1 and 2 years	**—**	36,274	**—**	—
— Between 2 and 5 years	**511,322**	18,137	**511,322**	—
	511,322	873,884	**511,322**	—

The effective interest rates at the balance sheet dates were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings	**6.49%**	5.76%	**6.49%**	—
Other financial institution borrowings	**—**	5.31%	**—**	—

The carrying amounts of long-term borrowings approximate their fair value.

24. BORROWINGS (continued)

The Group's borrowings at the balance sheet dates were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**—**	781,172	**—**	—
EUR	**—**	92,712	**—**	—
USD	**511,322**	—	**511,322**	—
	511,322	873,884	**511,322**	—

Securities and guarantees:

	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Borrowings secured by property, plant and equipment	**—**	127,580	**—**	—
Borrowings secured by land use rights	**—**	7,132	**—**	—
Borrowing secured by guarantees given by related parties	**—**	168,000	**—**	—
	—	302,712	**—**	—

The Group had no undrawn borrowing facilities as at 31 December 2007 (2006: nil).

25. DEFERRED GOVERNMENT GRANTS — GROUP

	2007	2006
	RMB'000	*RMB'000*
Opening net amount at beginning of year	**70,612**	62,059
Additions	**2,079**	32,804
Amortisation charge *(Note 29)*	**(7,029)**	(24,251)
Closing net amount at end of year	**65,662**	70,612
At end of year		
Cost	**114,616**	112,536
Accumulated amortisation	**(48,954)**	(41,924)
Net book amount	**65,662**	70,612

Analysis of government grants received/receivable by the Group was as follows:

	2007	2006
	RMB'000	*RMB'000*
For acquisition of land use right	**43,835**	44,156
For acquisition of property, plant and equipment	**38,489**	28,502
For operating expenses over certain periods of time	**27,500**	27,500
Others	**4,792**	12,378
	114,616	112,536

26. LONG-TERM PAYABLE FOR LAND USE RIGHT — GROUP

Long-term payable on acquisition of certain land use right is payable in equal annual instalment over 15 years. Such balances are unsecured and non-interesting bearing. The payable is measured at fair value being future cash outflows discounted at market interest rates on similar borrowings.

27. CONVERTIBLE BONDS

	2007	2006
	RMB'000	*RMB'000*
Convertible bonds due 2011, liability component	**504,564**	—
Fair value of embedded derivatives	**440,618**	—
	945,182	—

On 5 February 2007, the Company, China HuiYuan Juice Holdings Co., Ltd., the then holding company of the Company, and the holders of convertible bonds issued by China Hui Yuan Juice Holdings Co., Ltd. in June 2006 (the "June 2006 Convertible Bond"), entered into an agreement (the "Agreement") pursuant to which the Company agreed to issue an aggregate of US$85,000,000 (equivalent to approximately RMB663,000,000) convertible bonds due 28 June 2011 (the "Convertible Bonds") and an additional US$675,000 (equivalent to approximately RMB5,265,000) convertible bonds as an interest payment in kind (the "PIK") to the holders of the June 2006 Convertible Bond in exchange for the surrender of the June 2006 Convertible Bonds by the holders. The Convertible Bonds have the same terms and conditions as the June 2006 Convertible Bonds.

Upon completion of the Agreement on 23 February 2007, the Company recorded the estimated fair value of the Convertible Bonds as a distribution to equity holders.

The major terms and conditions of the Convertible Bonds are as follows:

(i) Interest rate:

The Company shall pay an interest on the Convertible Bonds at 2.0% per annum prior to the date on which dealings in the Company's shares first commence on The Stock Exchange of Hong Kong Limited (the "Listing Date") and 2.5% per annum following the Listing Date. A bondholder may (but is not obliged to) elect to receive some or all of the interest payments payable to it on any interest payment date by way of receipt of Convertible Bonds with an equivalent principal amount.

(ii) Conversion price:

Each one of the bondholder has the right to convert any outstanding Convertible Bonds into the ordinary shares of the Company at 85% of the offer price upon the Company's initial public offering of shares (the "Offer Price" amounted to HK$6).

27. CONVERTIBLE BONDS (continued)

(iii) Maturity:

The Company must redeem any outstanding Convertible Bonds on 28 June 2011 at a price that will enable the bondholders to receive a 7.5% internal return rate on the principal amount of the Convertible Bonds being redeemed (excluding any additional Convertible Bonds received as interest payment in kind).

(iv) Redemption:

On 28 June 2009, each one of the bondholder has an option, subject to the approval of the majority bondholders, to require the Company to redeem the outstanding Convertible Bonds held by it at a price as determined under the Agreement.

In addition to the above, Mr. Zhu Xinli has also undertaken to compensate the bondholders in respect of any shortfall in the prescribed rate of return of the bondholders as set out in the Agreement.

As at 28 December 2007, Convertible Bonds issued upon exercise of the PIK option of the Convertible Bonds with face value US$830,000.

As at 31 December 2007, bonds with face value US$14,000,000 have been converted into ordinary shares of the Company at the price of HK$5.1 during the period from August to October 2007. Accordingly, ordinary shares of the Company increased by 21,318,703 shares as at 31 December 2007.

The fair value of the Convertible Bonds was determined by an independent qualified valuer based on the Binomial valuation model. The fair value of the liability component on initial recognition was valued using discounted cashflow analysis. The fair value of the conversion rights, together with redemption rights and interest settlement option as a single derivative (the “conversion right”) was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the conversion right.

27. CONVERTIBLE BONDS (continued)

	RMB'000
Fair value of the Convertible Bonds issued as at 23 February 2007	1,300,806
Liability component on initial recognition as at 23 February 2007	(590,286)
Fair value of conversion right as at 23 February 2007	710,520
Add: Fair value of conversion right of the bonds issued upon exercise of PIK option	2,100
Less: Fair value of the convertible right of the bonds converted to ordinary shares	(135,952)
Fair value of conversion right as at 31 December 2007	(440,618)
Fair value changes of conversion right included in finance income *(Note 33)*	136,050

The fair value change in the conversion right, redemption right and interest settlement option for the year is RMB136,050,000, which is recognised in the consolidated income statement as finance income. The related interest expense of the liability component of the Convertible Bonds for the year ended 31 December 2007 amounted to RMB50,515,000, which is calculated using the effective interest method with an effective interest rate of 11.38%.

	RMB'000
Liability component as at 23 February 2007	590,286
Add: Liability component of the bonds issued upon exercise of PIK option on initial recognition on 28 December 2007	3,963
Interest payable for the year *(Note 33)*	50,515
Less: Liability component converted to ordinary shares	(95,850)
Interest payment during the year	(6,319)
Interest payable changed to the bonds issued upon exercise of PIK option	(6,063)
Unrealised exchange gain *(Note 33)*	(31,968)
Liability component as at 31 December 2007	504,564

28. REVENUE

	2007 *RMB'000*	2006 *RMB'000*
Sales		
Juice	**2,497,945**	1,956,635
Other beverages	**158,392**	109,640
Total	**2,656,337**	2,066,275

The Group made barter sales of approximately RMB27,728,000 (2006: RMB16,625,000) during the year in exchange for transportation vehicles, refrigerators, other tangible assets and advertising services.

29. OTHER INCOME

	2007 *RMB'000*	2006 *RMB'000*
Net income from sales of raw materials	**33,053**	36,974
Amortisation of deferred government grants	**7,029**	24,251
Other subsidy income	**4,926**	14,407
Interest income from bank deposits and loans to related parties	**—**	30,336
Interest income from other loans and receivables	**5,238**	—
Rental income from property, plant and equipment	**1,530**	—
Loss on disposal of land use rights	**—**	(4,330)
Gain/(Loss) on disposals of property, plant and equipment	**3,038**	(1,654)
Others	**15,733**	3,392
	70,547	103,376

30. OTHER GAINS

	2007 RMB'000	2006 RMB'000
Derivative instruments:		
— forward contracts	**21,852**	—
— interest rate swap product	**1,568**	—
	23,420	—

31. EXPENSES BY NATURE

	2007 RMB'000	2006 RMB'000
Raw materials used and changes in inventories	**1,404,456**	1,141,794
Advertising and other marketing expenses	**428,513**	261,594
Depreciation of property, plant and equipment *(Note 8)*	**139,936**	131,122
Amortisation of land use rights and prepayment for land use rights *(Note 7)*	**5,073**	4,900
Amortisation of trademark and license right *(Note 9)*	**9,580**	9,581
Employee benefit expense *(Note 32)*	**108,228**	96,204
Transportation and related charges	**103,124**	78,185
Water and electricity	**99,192**	76,238
Repairs and maintenance	**40,979**	22,135
Provision for impairment of inventories	**941**	18,066
Provision for/(write back of) impairment of receivables	**829**	(9,234)
Office and communication expenses	**14,179**	9,728
Travelling expense	**9,627**	6,060
Rental expenses	**5,231**	7,389
Auditors' remuneration	**4,500**	3,000
Other expenses	**34,996**	26,844
	2,409,384	1,883,606

32. EMPLOYEE BENEFIT EXPENSE

	2007	2006
	RMB'000	*RMB'000*
Wages and salaries	**93,427**	75,719
Contributions to pension plan and other benefits	**11,234**	20,485
Share option expenses	**3,567**	—
	108,228	96,204

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial government under which the Group are required to make monthly defined contributions to this plan at rates ranging from 19% to 45% of the employees basic salary dependent upon the applicable local regulations.

(b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company by companies comprising the Group during the year were as follows:

	2007	2006
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**2,911**	1,033
Contributions to pension plan	**49**	28
Welfare and other expenses	**54**	42
	3,014	1,103

32. EMPLOYEE BENEFIT EXPENSE (continued)

(b) Directors' emoluments (continued)

The emoluments of the directors were as follows:

	2007			
Name of director	**Salaries, wages and bonuses**	**Contributions to pension plan**	**Welfare and other expenses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Zhu Xinli	**872**	**18**	**17**	**907**
Jiang Xu	**185**	**17**	**14**	**216**
Lu Changqing	**286**	**14**	**16**	**316**
Qin Peng	**—**	**—**	**—**	**—**
Sun (Chang) Qiang	**—**	**—**	**—**	**—**
Leng Xuesong	**—**	**—**	**—**	**—**
Wang Bing	**200**	**—**	**—**	**200**
Zhao Yali	**200**	**—**	**—**	**200**
Tsui Yiu Wa	**200**	**—**	**—**	**200**
Wu Chungkuan	**785**	**—**	**7**	**792**
Song Quanhou	**183**	**—**	**—**	**183**

	2006			
Name of director	Salaries, wages and bonuses	Contributions to pension plan	Welfare and other expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhu Xinli	440	10	20	470
Jiang Xu	152	10	7	169
Lu Changqing	276	8	15	299
Qin Peng	—	—	—	—
Leng Xuesong	—	—	—	—
Wang Bing	55	—	—	55
Zhao Yali	55	—	—	55
Tsui Yiu Wa	55	—	—	55

Mr. Lu Changqing and Mr. Leng Xuesong resigned as an executive director of the Company effective from 7 December 2007 and as a non-executive director of the Company effective from 28 August 2007 respectively.

Mr. Wu Chungkuan and Mr. Sun Qiang Chang were appointed as an executive director of the Company effective from 7 December 2007 and as a non-executive director of the Company effective from 28 August 2007 respectively.

32. EMPLOYEE BENEFIT EXPENSE (continued)

(b) Directors' emoluments (continued)

None of the directors waived any emoluments during the years ended 31 December 2007 and 2006. During the year, no emoluments have been paid to the directors as an inducement to join or as compensation for loss of office (2006: nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were as follows:

	2007	2006
Directors	**2**	2
Other senior management	**3**	3

The five highest paid individuals include two (2006: two) directors whose emoluments were reflected in the analysis presented in Note 32(b). Details of remuneration of members of other senior management amongst the five highest paid individuals were as follows:

	2007 ***RMB'000***	2006 *RMB'000*
Salaries, wages and bonuses	**1,796**	1,783
Contributions to pension plan	**41**	27
Welfare and other expenses	**41**	33
Share option expenses	**2,098**	—
	3,976	1,843

The emoluments of these members of senior management fell within the following band:

	Number of individuals	
	2007	2006
Nil – HK$1,000,000 (equivalent to approximately RMB936,380)	**3**	3

33. FINANCE INCOME/(COSTS) — NET

	2007 *RMB'000*	2006 *RMB'000*
Interest income:		
— from bank deposits	**38,505**	—
— from money market funds	**40,816**	—
	79,321	—
Interest expenses:		
— Bank borrowings	**(43,588)**	(38,404)
— Other borrowings	**(2,418)**	(5,242)
— Related parties borrowings	**—**	(8,505)
— Discount interest for bank draft	**—**	(873)
— Interest expense relating to Convertible Bonds *(Note 27)*	**(50,515)**	—
Less: Interest capitalised	**8,063**	596
	(88,458)	(52,428)
Exchange losses (excluding Convertible Bonds)	**(29,010)**	(2,900)
Exchange gain on liability component of Convertible bonds *(Note 27)*	**31,968**	—
Fair value changes of conversion right of Convertible Bonds *(Note 27)*	**136,050**	—
	129,871	(55,328)
Weighted average effective interest rates used to calculate capitalisation amount	**6.69%**	5.30%

34. INCOME TAX EXPENSE

	2007 *RMB'000*	2006 *RMB'000*
Current tax — PRC enterprise income tax	**40,228**	8,845
Deferred tax (credit)/charge *(Note 14)*	**(2,840)**	889
	37,388	9,734

34. INCOME TAX EXPENSE (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of companies comprising the Group as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax	**677,605**	230,717
Tax calculated at the statutory tax rates of 33%	**223,610**	76,136
Preferential tax rates on the income of certain subsidiaries	**(187,535)**	(72,132)
Expenses not deductible for tax purposes	**1,313**	5,730
Income tax expense	**37,388**	9,734

Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong.

PRC enterprise income tax is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for the companies of the Group is 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax, except that companies in the following table are entitled to preferential tax treatment.

34. INCOME TAX EXPENSE (continued)

Name of company	Preferential tax treatment	For the year starting
JiuJiang Huiyuan Food & Beverage Co., Ltd.	• Preferential tax rate of 24% • Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2005 The first profit-making year after offsetting prior years' losses
Shanghai Huiyuan Food & Beverage Co., Ltd.	• Preferential tax rate of 27% • Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2001 2004
Beijing Huiyuan Group Huanggang Co., Ltd.	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2007
Beijing Huiyuan Food & Beverage Co., Ltd.	• Preferential tax rate of 25.5%	1999
Harbin Huiyuan Food & Beverage Co. Ltd.	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2005
Luzhong Huiyuan Food & Beverage Co., Ltd.	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2005
Beijing Xinyuan Food & Beverage Co., Ltd.	• Preferential tax rate of 24% • Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2005 2005
Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	• Preferential tax rate of 18% • Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2001 The first profit-making year after offsetting prior years' losses
Beijing Huiyuan Group Kaifeng Co., Ltd.	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2005

34. INCOME TAX EXPENSE (continued)

Name of company	Preferential tax treatment	For the year starting
Beijing Huiyuan Group Xianyang Co., Ltd.	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2006
Jiangsu Huiyuan Food & Beverage Co., Ltd.	• Preferential tax rate of 24%	2007
	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	The first profit-making year after offsetting prior years' losses
Hebei Huiyuang Food & Berverage Co., Ltd	• Tax exemption for two years followed by a 50% deduction in tax rate in the next three years	2007

Effective from 1 January 2008, the domestic subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the applicable corporate income tax rate will be 25% from 2008.

Effective from 1 January 2008, the enterprises entitled to two years' exemption followed by three years of a 50% tax reduction, will commence the originally approved tax holiday and preferential treatment from the beginning of 2008 although they are still in loss position.

35. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB328,537,000 (2006: loss of RMB185,000).

36. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2007 RMB'000	2006 RMB'000
Profit attributable to equity holders of the Company	**640,217**	221,611
Weighted average number of ordinary shares in issue (thousands)	**1,363,846**	828,425
Basic earnings per share (RMB cents)	**46.9**	26.8

36. EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under its Convertible Bonds and share option schemes. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the Convertible Bonds and the exercise of the share options, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	2007 RMB'000	2006 RMB'000
Profit attributable to equity holders of the Company	**640,217**	221,611
Add: Interest expense relating to Convertible Bonds	**50,515**	—
Less: Unrealised exchange gain relating to Convertible Bonds	**(31,968)**	—
Less: Fair value changes of conversion right of Convertible Bonds	**(136,050)**	—
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**522,714**	221,611
Weighted average number of ordinary shares in issue (thousands)	**1,363,846**	828,425
Adjustment for Convertible Bonds (thousands)	**93,296**	—
Adjustment for share options (thousands)	**552**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,457,694**	828,425
Diluted earnings per share (RMB cents)	**35.9**	26.8

37. DIVIDENDS

The Board recommended the payment of a final dividend of RMB0.109 per ordinary share, totalling RMB160,054,000, which is calculated based on the total number of outstanding ordinary shares as at 31 December 2007. Such dividend is to be approved by the shareholders at the annual general meeting on 16 May 2008. These financial statements do not reflect this dividend payable.

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2007	2006
	RMB'000	*RMB'000*
Profit before income tax	**677,605**	230,717
Adjustments for:		
— Share-based payment expenses *(Note 22)*	**3,567**	—
— Fair value changes of convertible right of Convertible Bonds *(Notes 27,33)*	**(136,050)**	—
— Amortisation of deferred government grants *(Note 25)*	**(7,029)**	(24,251)
— Depreciation *(Note 8)*	**139,936**	131,122
— Amortisation *(Notes 7,9)*	**14,653**	14,481
— Loss on disposal of land use right *(Note 29)*	**—**	4,330
— (Gain)/loss on disposal of property, plant and equipment *(Note 29)*	**(3,038)**	1,654
— Interest income from subscription monies from initial public offering of shares	**(206,814)**	—
— Other gains from interest rate swap product *(Note 30)*	**(1,568)**	—
— Interest income from other loan and receivables *(Note 29)*	**(5,238)**	—
— Interest income from bank deposits and money market funds *(Note 33)*	**(79,321)**	
— Interest income from bank deposits and loans to related parties *(Note 29)*	**—**	(30,336)
— Interest expense relating to Convertible Bonds *(Note 33)*	**50,515**	—
— Interest expense	**37,943**	52,428
— Exchange losses (excluding Convertible Bonds) *(Note 33)*	**29,010**	2,900
	514,171	383,045
Changes in working capital:		
— Inventories	**(216,864)**	(120,773)
— Amounts due from related parties	**(95,011)**	26
— Trade and other receivables	**(25,816)**	(151,837)
— Amounts due to related parties	**(83,561)**	39,851
— Trade and other payables	**(70,840)**	157,337
— Deferred revenue	**(14,383)**	42,124
Cash generated from operations	**7,696**	349,773

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Major non-cash transactions

(i) As mentioned in Note 27, the Company recorded the estimated fair value of the Convertible Bonds upon completion of Reorganisation on 23 February 2007 as a distribution to the holding company.

(ii) Other than the deemed disposals of the companies, the following related party transactions were settled through balances due from/to the related parties during the years ended 31 December 2007 and 2006:

	2007	2006
	RMB'000	*RMB'000*
Offsetting of balances due from and due to related parties	—	285,584
Proceeds from disposals of property, plant and equipment	—	53,241
Purchase of property, plant and equipment	—	10,867
Interest income	—	28,309
Interest expense	—	8,505

39. CONTINGENCIES

There were no contingent liabilities as at 31 December 2007 (2006: nil).

40. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet dates but not yet incurred were as follows:

	2007	2006
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**34,001**	13,203

(b) Operating lease commitments

The Group leases various, offices, warehouses and plant and machinery under non-cancellable operating lease agreements.

40. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

The lease expenditures charged to the consolidated income statement during the year are disclosed in Note 31.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

The Group is the lessee

	2007	2006
	RMB'000	*RMB'000*
No later than 1 year	**3,031**	533
Later than 1 year and no later than 5 years	**19,800**	419
Later than 5 years	**8,000**	—
	30,831	952

41. BUSINESS COMBINATION

On 21 June 2007, a subsidiary of the Company acquired 100% equity interest in Jiangsu Huiyuan Food & Beverage Co., Ltd. ("Jiangsu Huiyuan") from a company beneficially owned by Mr. Zhu Xinli, director and a third party company at cash consideration of RMB82,200,000 and RMB27,400,000, respectively. The acquisition is accounted for by the purchase method of accounting.

The acquired business contributed revenues of RMB16,172,000 and net loss of RMB2,531,000 to the Group for the period from 21 June 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, Group revenue would have been RMB2,656,337,000; profit before allocations would have been RMB640,217,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

41. BUSINESS COMBINATION (continued)

Details of net assets acquired were as follows:

	2007
	RMB'000
Total purchase consideration	**109,600**
Fair value of net assets acquired — shown as below	**(107,765)**
Excess of consideration over fair value of net assets acquired *(Note 9)*	**1,835**

The goodwill is attributable to the synergies expected to arise after the acquisition.

On the acquisition date of 21 June 2007, the assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	**Fair value**
	RMB'000	*RMB'000*
Assets/(liabilities) acquired		
Property, plant and equipment *(Note 8)*	135,272	138,769
Land use rights *(Note 7)*	30,009	32,113
Inventories	2,347	2,347
Other receivables	22,921	22,921
Cash and cash equivalents	8,288	8,288
Trade and other payables	(96,697)	(96,697)
Taxation payable	24	24
Net assets acquired	102,164	107,765
Purchase consideration settled in cash		109,600
Cash and cash equivalents in the subsidiary acquired		(8,288)
Cash outflow on acquisition		101,312

42. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) During the year, the Company's directors and the Group's management are of the view that the following companies/individuals were related parties of the Group:

Name of related party	Relationship with the Group
Beijing Huiyuan Juice & Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Beverage & Food Group Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
China Hui Yuan Juice Holdings Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Bellywashers Food & Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Feicheng Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Guilin Ecological Fruit Industry Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Jizhong Food & Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Longteng Food & Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Beverage & Food Group Qiqihaer Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Yongxin Fruit Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Huiyuan Juice Gannan Fruit Production Co.,Ltd.	Company beneficially owned by Mr. Zhu Xinli
Huiyuan International Holdings Limited.	Company beneficially owned by Mr. Zhu Xinli
Shandong Yongxin Industrial Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Total International Holdings Limited.	Company beneficially owned by Mr. Zhu Xinli
Huiyuan Merhav Food (Beijing) Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Huiyuan Beverage & Food Group Yingxian Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli

42. RELATED-PARTY TRANSACTIONS (continued)

(a) During the year, the Company's directors and the Group's management are of the view that the following companies/individuals were related parties of the Group: (continued)

Name of related party	Relationship with the Group
Shandong Zibo Huiyuan Food & Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Chongqing Sanxia Fruit Industry Group Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Wanrong Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Her&Him Beverage Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Kangle Packing Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Blue-Cat Beverage Co., Ltd	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Jiulonggou Green Ecological Agriculture Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Huiyuan Beverage & Food Youyu Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Juice & Beverage Group Yichang Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Beverage & Food Yanbian Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Huaihua Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Nanfeng Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Dangshan Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Leling Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Beijing Huiyuan Group Youyu Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Shandong Fukuan Bioengineering Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli
Shangdong Yiyuan Yongxin Packing Co., Ltd.	Company beneficially owned by Mr. Zhu Xinli

42. RELATED-PARTY TRANSACTIONS (continued)

(b) The following transactions were carried out with related parties:

Continuing transaction

	2007 RMB'000	2006 RMB'000
Sales of goods and services		
Sales of recyclable container	**24,390**	17,660
Income for provision of power and other utilities	**1,741**	1,303
Income for lease of trademark use right	**1,877**	—
	28,008	18,963
Purchase of materials and services		
Purchase of raw materials	**199,000**	159,985
Rental expenses for lease of property, plant and equipment and land use rights	**2,708**	2,957
Expenses for power and other utilities	**1,907**	963
	203,615	163,905
Key management Compensation		
Salaries, wages and bonuses	**7,185**	4,375
Contributions to pension plan	**243**	121
Welfare and other expenses	**234**	118
Share option expenses	**3,567**	—
	11,229	4,614

The emoluments paid and payable to directors and senior management mentioned in Note 32 were included in above key management compensation.

In 2007, Shunyi Huiyuan has been using and will continue to use certain offices premises owned by Beijing Huiyuan Beverage & Food Group Co., Ltd at nil cost.

42. RELATED-PARTY TRANSACTIONS (continued)

(b) The following transactions were carried out with related parties: (continued)

Discontinued transaction*

	2007 RMB'000	2006 RMB'000
Sales of goods and services		
Sales of raw materials to related parties	**2,276**	16,272
Return of raw materials bought in previous years to related parties	**773**	—
Sales of goods to related parties	**599**	9,915
Income for provision of power and other utilities	**912**	2,363
Net book value of land use right and property, plant and equipment sold to related parties	**1,038**	18,589
Interest income from loans to related parties	**—**	28,309
	5,598	75,448

	2007 RMB'000	2006 RMB'000
Purchase of materials and services		
Purchase of raw materials from related parties	**1,644**	55,225
Purchase of goods from related parties	**1,426**	9,438
Rental expenses for lease of property, plant and equipment and land use rights	**—**	3,354
Purchase of property, plant and equipment from related parties	**400**	11,922
Interest expense from loans from related parties	**—**	8,505
	3,470	88,444

* All these transactions were incurred before the Reorganisation dated 23 February 2007.

In 2007, a related company of the Group provided the Group with the right to use three production lines at zero consideration (2006: nil).

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

42. RELATED-PARTY TRANSACTIONS (continued)

(c) Year-end balances due from or due to related parties were as follows:

	2007 RMB'000	2006 RMB'000
Trade receivables	2	12
Other receivables	14,717	82,979
Prepayment of raw materials and others	220,757	57,472
Trade payables	8,161	70,788
Other payables	138	21,072

	2007 RMB'000	2006 RMB'000
Maximum balance of receivables during the year:		
Trade receivables	9,603	383
Other receivables	197,706	439,341
Prepayment of raw materials and others	266,757	—

During the year, all balances with related companies are non-interest bearing. All balances due from and due to related companies are unsecured and repayable on demand.

43. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 25 February 2008, the Board approved the grant of 35,450,000 shares options under the post-IPO share option scheme.

(b) In February 2008, the Group paid a total of RMB49,800,000 as deposit pursuant to non-binding letters of intent in relation to proposed acquisitions of eight of its distributors. No definitive and binding agreement in respect of these proposed acquisitions has been signed as at the date of this report.

Glossary of Terms

"Anhui Huiyuan"	Anhui Huiyuan Xianyang Beverage & Food Co., Ltd. (安徽滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Board"	the board of directors of our Company
"Bond Holders"	Warburg Pincus Funds Investor, certain funds or sub-fund managed by Value Partners Limited, a company incorporated in BVI, and a mezzanine finance fund established in the Cayman Islands and managed and advised by subsidiaries of Development Partners Limited, collectively
"BVI"	the British Virgin Islands
"Chengdu Huiyuan"	Beijing Huiyuan Beverage & Food Group Co., Ltd. (北京滙源飲料食品集團成都有限責任公司), a wholly owned subsidiary of the Company incorporated in the PRC.
"China Huiyuan Holdings"	China Hui Yuan Juice Holdings Co., Ltd. (中國滙源果汁控股有限公司*), a limited liability company incorporated in the Cayman Islands
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "we", "us" or "our"	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司*), a limited liability company incorporated in the Cayman Islands on 14 September 2006, and where the context otherwise requires, all of its subsidiaries and associated companies
"Convertible Bonds"	US$85,000,000 convertible bonds due 28 June 2011
"Danone"	Groupe Danone S.A.
"Danone Asia"	Danone Asia Pte. Ltd., a wholly owned subsidiary of Danone incorporated in Singapore
"Dezhou Huiyan"	Dezhou Huiyan Beverage & Food Co., Ltd. (德州滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Financial Management and Audit Committee"	the financial management and audit committee of the Company as set up by the Board on 21 September 2006
"Group" or "Huiyuan Juice"	the Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or the businesses operated by the present subsidiaries or (as the case may be) its predecessor
"Guangxi Huiyuan"	Guangxi Huiyuan Food & Beverage Co., Ltd. (桂林滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC

Glossary of Terms

"Hebei Huiyuan"	Hebei Huiyuan Beverage & Food Co., Ltd. (河北滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huairou Huiyuan"	Huairou Huiyuan Beverage & Food Co., Ltd. (北京新源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Huanggang Huiyuan"	Huanggang Huiyuan Food & Beverage Co., Ltd. (北京滙源集團黃岡有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Huiyuan Holdings"	Huiyuan International Holdings Limited (滙源國際控股有限公司*), a company incorporated in the BVI
"January 2007 Syndicated Loan"	US$70 million syndicated loan term facility arranged by ABN AMRO Bank N.V. acting on behalf of 10 financial institutions which is repayable in five semi-annual installments from January 2010
"Jiangsu Huiyuan"	Jiangsu Huiyuan Beverage & Food Co., Ltd. (江蘇滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Jiangxi Huiyuan"	Jiangxi Huiyuan Beverage & Food Co., Ltd. (江西滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Jilin Huiyuan"	Jilin Huiyuan Beverage & Food Co., Ltd. (吉林滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Jinzhou Huiyuan"	Jinzhou Huiyuan Beverage & Food Co., Ltd. (錦州滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Jiujiang Huiyuan"	Jiujiang Huiyuan Food & Beverage Co., Ltd.* (九江滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Kaifeng Huiyuan"	Beijing Huiyuan Group Kaifeng Co. Ltd.* (北京滙源集團開封有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Listing Date"	23 February 2007 being the date on which dealings in the shares of the Company first commence on the Hong Kong Stock Exchange
"Luzhong Huiyuan"	Luzhong Huiyuan Food & Beverage Co., Ltd.* (魯中滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Nanfeng Huiyuan"	Nanfeng Huiyuan Food & Beverage Co., Ltd. (江西滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC

"Offer Price"	HK$6.00 per share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), the offer price of which dealings in the shares of the Company first commenced on the Hong Kong Stock Exchange on the Listing Date
"Ordinary Shares" or "shares"	Ordinary shares of US$0.00001 each in the share capital of the Company
"Over-allotment Option"	the option granted by the Company, in its initial global offering, to the international underwriters, exercisable by the global coordinator on their behalf, pursuant to which the Company has allotted and issued an aggregate of 60,000,000 additional shares
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted pursuant to written resolution passed by the sole shareholder on 30 January 2007, the principal terms of which are summarized in the section headed "Pre-IPO Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"Prospectus"	the prospectus issued by the Company on 8 February 2007 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
"Qiqihaer Huiyuan"	Qiqihaer Huiyuan Beverage & Food Co., Ltd. (齊齊哈爾滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Remuneration and Nomination Committee"	the remuneration and nomination committee of the Company as set up by the Board on 21 September 2006
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Huiyuan"	Shanghai Huiyuan Food & Beverage Co., Ltd.* (上海滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Shanxi Huiyuan"	Shanxi Huiyuan Beverage & Food Co., Ltd. (山西滙源食品飲料有限責任公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on 30 January 2007, the principal terms of which are summarized in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus
"Shuangcheng Huiyuan"	Harbin Huiyuan Food & Beverage Co., Ltd.* (哈爾濱滙源食品飲料有限公司), formerly known as Beijing Huiyuan Group Shuangcheng Food & Beverage Co., Ltd.* (北京滙源集團雙城食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Shunyi Huiyuan"	Beijing Huiyuan Food & Beverage Co., Ltd.* (北京滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC

Glossary of Terms

"Taian Huiyan"	Taian Huiyan Beverage & Food Co., Ltd. (泰安滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Xianyang Huiyuan"	Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd.* (北京滙源集團咸陽食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Xinjiang Huiyuan"	Xinjiang Huiyuan Food & Beverage Co., Ltd.* (新疆滙源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Xinyuan Huiyuan"	Beijing Xinyuan Food & Beverage Co., Ltd.* (北京新源食品飲料有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"United States"	The United States of America
"United States $" or "US$"	United States dollars, the lawful currency of the United States
"Warburg Pincus"	each of (1) Warburg Pincus Private Equity IX, L.P., a limited partnership established in Delaware, the United States, which is controlled by Warburg Pincus IX LLC; (2) Warburg Pincus IX LLC, a limited liability company established in New York State, the United States, which is controlled by Warburg Pincus Partners, LLC ; (3) Warburg Pincus Partners, LLC, a limited liability company established in New York State, the United States, which is controlled by Warburg Pincus & Co.; and (4) Warburg Pincus & Co., a general partnership established in New York State, the United States.
"Warburg Pincus Funds Investor"	Gourmet Grace International Limited, a wholly owned subsidiary of Warburg Pincus Private Equity IX, L.P.

The terms "associate", "connected person", "connected transaction", "controlling shareholder", "independent third party", "subsidiary" and "substantial shareholder" shall have the meanings given to these terms under the Hong Kong Listing Rules.