



High Quality
Low Cost



Chairman's Statement

On behalf of the board ("Board") of directors ("Directors") of the Company, I am pleased to present to our shareholders the report of our results for 2005.

Financial Review and Dividend

For the year ended 31 December 2005, the Group's turnover was approximately RMB654.0 million (2004: RMB550.3 million), representing an increase of 18.9% over last year; our net profit was approximately RMB122.7 million (2004: RMB108.0 million), representing an increase of 13.6% over last year, which was mainly attributable to the increase in both the sales volume and selling price of apple juice concentrate and related products of the Group. Basic earnings per share amounted to RMB12.06 cents (2004: RMB11.04 cents), representing an increase of 9.2%. The Board resolved to recommend the payment of a final dividend of RMB2.5 cents per ordinary share for the year 2005.

Business Review

2005 was a crucial year for the Group. During 2005, the Group focused on production capacity expansion. We constructed a plant in Yuncheng, Shanxi Province, the PRC with an annual production capacity of 50,000 metric tons of apple juice concentrate, and expanded the production capacity of the plant in Qianxian from 25,000 metric tons to 45,000 metric tons a year. Both projects were completed by the fourth quarter of 2005 and commenced production, which increased the total annual production capacity of the Group to 205,000 metric tons. We believe that the benefits by increased efficiency and the economies of scale achieved with our highly efficient and standardised equipment will be reflected in the years to come.

Following the completion of these two projects, we now have a nationwide strategic layout of our production facilities. Our five plants are located in the key production areas of apples in the PRC, which include Shandong, Shaanxi, Liaoning and Shanxi Provinces which covers strategic points from north to south and from east to west. The geographic coverage of our plants enable a steady and sufficient supply of apples, our main raw material.

In 2005, clear apple juice concentrate remained the principal operation of the Company, and the clear pear juice concentrate, a new product developed in 2004 had also recorded a significant increase both in its annual production volume and in sales volume over last year.

In the second half of 2005 when the new pressing season began, the purchase price of apples rocketed as a result of a thin harvest of apples in the western part of China, which led to an increase in the cost of production. Fortunately, given the Group's diversified market and customers, the Company seized the opportunity to take advantage of the escalating apple juice concentrate prices in the international markets and adjusted our sales strategy timely by exporting our products to countries and regions with higher sales. As a result, we have achieved remarkable results in our sales.



At the same time, we continued to exercise stringent cost control, and achieved great bottom line results in 2005.

2005 was also a year the limelight of the capital market was thrown on us. At the beginning of the year, Goldman Sachs Group Inc. invested in US\$20 million in us, and we were subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 4 November 2005.

Future Strategy

Looking ahead, competition in the sector will continue to intensify. In order to further strengthen our competitive advantages, the Group will focus on (i) new product development to create additional growth drivers; (ii) we will be committed to our time-honored marketing strategy and continue to explore markets such as Japan, Russia and Australia, thereby developing additional customers and new markets, to create a more comprehensive sales network; (iii) the Group also has plans for the development of growing bases for apples which, on the one hand, will ensure the supply of apples which form our raw materials, and on the other hand, will ensure the procurement quality of by controlling quality at its very source. Lastly, in order to mitigate the risk of a further revaluation of Renminbi, the Group intends to increase loans denominated in US dollars and to increase the varieties of currencies for settlement. We will also make use of certain financial instruments to hedge against such risks effectively.

Let me extend my appreciation of the strong support of our shareholders and customers, and my heart-felt thanks to the outstanding performance of our management team and employees, because of their dedicated contribution that we were able to achieve the outstanding results in a difficult market environment in 2005. We look forward for the year to come, and we shall continue to deliver returns and value to our shareholders.

By Order of the Board

Gao Liang
Chairman

Xi'an, the PRC, 25 April 2006