

CHAIRMAN'S STATEMENT



On behalf of the board ("Board") of directors ("Directors") of China Haisheng Juice Holdings Co., Ltd ("Company"), I hereby present to our shareholders the report of our results for 2006.

Review of Results and Dividends

For the year ended 31 December 2006, the Group's turnover was approximately RMB863.7 million (2005: RMB654.0 million), representing an increase of 32.1% over last year; our audited profit attributable to equity holders of the parent was approximately RMB65.8 million (2005: RMB122.7 million), representing a decrease of 46.4% over last year, which was mainly attributable to the increase in the purchase cost of the main raw material, apples, and which resulted in the decrease in the gross profit margin of the Group. Basic earnings per share amounted to RMB5.38 cents (2005: RMB12.06 cents), representing a decrease of 55.4% over last year.

The Board resolved to recommend the payment of a final dividend of RMB0.02 per ordinary share for the year 2006.

Business Review

The Group's results in 2006 was affected by the shortage of apples in the 2005/2006 pressing season. In the new pressing season commencing in 2006, the Group raised further the utilization rate of production capacity of all the five factories. The production utilization rate of production capacity of each of the five factories was over 90%. In 2006, the Group maintained its remarkable sales performance and was in the leading position in the industry. The percentage of the Group's export volume to the total export volume of the PRC was increased from 13% in 2005 to over 17% in 2006.

In the year under review, the Group further strengthened its management in production and technical innovation, raised

the quality of the major raw material, apples, in the purchasing process, and assured the normal production time. The utilization rate of production capacity of all the five factories was significantly increased and resulted in the significant increment in the production volume of the Group.

In 2006, the Group maintained its remarkable sales performance. Having exercised more effort on market development, the Group's percentage of sales in Europe and Russia increased from approximately 22.3% in the previous year to approximately 44.8% in 2006, and a new market, South Africa, was entered and developed. Due to the increase in sales price, the Group's sales in 2006 was increased by 32.1% compared to that of the last year.

During the year under review, the Group aggressively carried out certain measures to tackle with the appreciation of Renminbi including increasing bank loans denominated in US Dollars, settlement in various currencies and increasing domestic sales.

During the year under review, the Group cooperated with, Hewitt Associates Consulting Co., Ltd., one of the largest human resources consulting firms in the world. The remuneration and performance management planned and carried out with much effort effectively improved the

managerial structure, encouragement system and efficiency of implementing strategies, and which led the human resources management of the Group to be more scientific and formal and largely increased the managerial efficiency.

Future Prospect

The year of 2007 is still a year that full of opportunities and challenges for the Group. After experiencing the shortage of apples in the 2005/2006 pressing season, the Group's production utilisation rate has been above 90% again in the 2006/2007 pressing season, which creates an opportunity for the Group to increase its sales in 2007.

In order to increase its competitive edge, the Group will further increase its production capacity, add production lines for various types of fruit juice and increase the drivers of profit. At the same time, the Group will continue to increase its effort to raise the market share in Japan, Russia and Australia, develop and enter into new markets and further extend its sales network. In 2007, the Group will explore new mode on apple production base, and the extension of area of raw material base in order to assure the supply and quality of the major raw material, apples, is still the Group's major concern. At the same time, the Group will carry out more effective measures to tackle with the adverse effect from the appreciation of Renminbi.

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 maintain stable operation and ideal sales performance despite the shortage of apples in the 2005/2006 pressing season. We look forward to catch up the opportunities that came from the increase in production volume and strong demand from the global market in the coming year and increase the profitability. And we shall continue to deliver returns and value to our shareholders.

By Order of the Board

Gao Liang

Chairman

Xi'an, the PRC, 18 April 2007



Large-Scale

Diversified
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