

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

Principal Activities

The Group's principal activities are manufacture and sale of fruit juice concentrate and other related products. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

Results And Appropriations

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 27 of the annual report.

The Directors recommend the payment of a final dividend of RMB0.02 per share.

Property, Plant and Equipment

During the year, the Group incurred capital expenditure of RMB117 million in the acquisition of property, plant and equipment which mainly comprised building and plant and machinery. Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interest of the Group for the last five financial years is set out on page 4 of the annual report. This summary does not form part of the audited consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Distributable Reserves of the Company

Movements in the reserves of the Group and the Company during the year are set out on page 29 and 54 to the consolidated financial statements. The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB601 million as at 31 December 2006. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

Pre-emptive Rights

There is no provision for pre-emptive rights under the 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.

Directors

The Directors during the year were:

Executive Directors:

Mr. Gao Liang (*Chairman*)
 Mr. Liang Yi
 Mr. You Yong
 Ms. Zhu Fang

Non-executive Directors:

Ms. Joyce I-Yin Hsu (resigned on 16 February 2006)
 Ms. Liu Yi Lan Katherine (appointed on 25 April 2006 and resigned on 3 June 2006)

Independent non-executive Directors:

Mr. Xu Yulin (resigned on 19 January 2007)
 Mr. Yim Hing Wah
 Mr. Zhao Boxiang
 Mr. Li Yuanrui (appointed on 19 January 2007)

Pursuant to the Articles of Association, Mr. You Yong, Ms. Zhu Fang, Mr. Li Yuanrui and Mr. Yim Hing Wah will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 15 to 16 of this annual report.

Appointment of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 19 October 2005.

Each of Mr. Yim Hing Wah and Mr. Zhao Boxiang has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 October 2005. Mr. Li Yuanrui has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 January 2007.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into 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' Interests in Contracts of Significance

No contracts of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

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

As at 31 December 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules once the Shares are listed, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	576,878,400 Shares (Note 1)	47.2%
Mr. Liang Yi	The Company	Trustee	85,759,600 Shares (Note 2)	7.02%
Mr. You Yong	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Note 3)	Beneficial owner	180,000 Shares	0.097%
Ms. Zhu Fang	Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Note 3)	Beneficial owner	180,000 Shares	0.097%

Notes:

- The 576,878,400 Shares were held by Think Honour International Limited ("Think Honour"), the issued share capital of which was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%). Accordingly, Mr. Gao Liang is deemed to be interested in the 576,878,400 Shares held by Think Honour by virtue of the SFO.
- The 85,759,600 Shares were held by Raise Sharp International Limited ("Raise Sharp"), the entire issued share capital of which was held by Mr. Liang Yi on trust for 1,010 individuals. Accordingly, Mr. Liang Yi is deemed to be interested in the 85,759,600 Shares held by Raise Sharp by virtue of the SFO.
- Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. is an indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2006, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2006, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Think Honour	The Company	Beneficial owner	576,878,400 Shares (Note 1)	47.2%
Ms. Yue Jingna	The Company	Interest of spouse	576,878,400 Shares (Note 2)	47.2%
Goldman, Sachs & Co.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20%
The Goldman Sachs Group, Inc.	The Company	Interest of controlled corporation	244,440,000 Shares (Note 3)	20%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488 Shares	15.04%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	11.03%
Raise Sharp	The Company	Beneficial owner	85,759,600 Shares (Note 4)	7.02%

Notes:

- The issued share capital of Think Honour was owned as to 80% by Mr. Gao Liang, 10% by Mr. Liang Yi and 10% by Mr. You Yong. Among the 10% of the issued share capital of Think Honour held by Mr. You Yong, 9% is held on trust by Mr. You Yong for eight individuals, namely Peng Limin (2%), Zhu Fang (1.5%), Suo Dong (1.5%), Luan Heping (1%), Yue Jingna (0.75%), Wang Xuemei (0.75%), Ding Li (0.75%) and Xie Haiyan (0.75%).
- Ms. Yue Jingna is the spouse of Mr. Gao Liang. Ms. Yue Jingna is deemed to be interested in the 576,878,400 Shares in which Mr. Gao Liang is deemed to be interested by virtue of the SFO.

3. GS Capital Partners 2000 Employee Fund, L.P., GS Capital Partners 2000 GmbH & Co. Beteiligungs KG, GS Capital Partners 2000 Offshore, L.P., GS Capital Partners 2000, L.P. and Goldman Sachs Direct Investment Fund 2000, L.P. (together, the "Investors") are interested in an aggregate of 244,440,000 Shares. The general partner or managing partner of each of the Investors is a direct or indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.. Goldman, Sachs & Co., a wholly-owned subsidiary of The Goldman Sachs Group, Inc., held by The Goldman Sachs Group, Inc. directly and indirectly through intermediate subsidiaries, is the investment manager of each of the Investors. Pursuant to the SFO, each of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. is deemed to be interested in the aggregate 244,440,000 Shares in which the Investors are interested in total.
4. The entire issued share capital of Raise Sharp is held by Mr. Liang Yi on trust for 1,130 individuals. As at 31 December 2006, 9,572,000 Shares of the 95,331,600 were sold, therefore the number of Shares held by Raise Sharp was reduced to 85,759,600. As at 31 December 2006, the entire issued share capital of Raise Sharp was held by Mr. Liang on trust for 1,010 individuals.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2006.

Emolument Policy

The emolument policy of the employees of the Group is established by the Human Resources Division on the basis of their merit, qualifications and competence and reviewed by the remuneration committee of the Group. The emoluments of the Directors are decided by the remuneration committee of the Group, having regard to the Company's operating results, individual performance and comparable market statistics.

Major Customers and Suppliers

The five largest customers accounted for approximately 34.5% of the Group's total turnover for the year 2006 and the largest customer accounted for approximately 11.3% of the Group's total turnover. The five largest suppliers accounted for approximately 29.6% of the Group's total purchases for the year 2006 and the largest supplier accounted for approximately 8.8% of the Group's total purchases.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or the Group's five largest customers.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2006 are set out in note 22 to the consolidated financial statements.

Audit Committee

The Company has an audit committee which was established on 19 October 2005 to assist the Board in fulfilling its oversight responsibilities of the Company's compliance with legal and regulatory requirements with respect to financial matters.

The audit committee, comprising three independent non-executive Directors, is responsible for reviewing the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2006.

Connected and Related Party Transactions

During the year ended 31 December 2006, there was no connected transactions (as defined in Listing Rules) undertaken by the Group and details of the related parties transactions undertaken in the normal course of business by the Group are set out in note 31 to the consolidated financial statements.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

China Haisheng Juice Holdings Co., Ltd

Mr. Gao Liang

Chairman

Xian, the PRC, 18 April 2007