

Report of the Directors

The directors of the Company present their report together with the audited financial statements of the Company for the period from 14 September 2006 (date of incorporation) to 31 December 2006 and the audited combined financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2006.

Principal activities

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 principal activities of the subsidiaries of the Group are set out in note 33 to the combined financial statements.

Group reorganization

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.

Pursuant to the reorganization in preparation for the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, the Company became the holding company of the other companies now comprising the Group on 23 February 2007.

Details of the reorganization are set out in the section headed "Our History and Development–Reorganization" of the Prospectus.

The Company became a listed company on the Main Board of the Hong Kong Stock Exchange on 23 February 2007.

Results and dividends

The results of the Company for the period from 14 September 2006 (date of incorporation) to 31 December 2006 and the combined results of the Group for the year ended 31 December 2006 are set out on pages 48 and 62 respectively.

As disclosed in the Prospectus, the directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

Property, plant and equipment

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

Summary of financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the Prospectus and the audited combined financial statements of the Group for year ended 31 December 2006, is set out on page 7.

Share capital

Details of the movement in the Company's share capital since its incorporation on 14 September 2006 to 31 December 2006 are set out on page 54.

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 for the period from 14 September 2006 (date of incorporation) to 31 December 2006 and of the Group for the year ended 31 December 2006 are set out on pages 49 and 63, respectively.

Distributable Reserves

Prior to the Reorganization and as at 31 December 2006, the Company had no distributable reserves available to the shareholders.

Directors

The directors who held office during the year ended 31 December 2006 and up to the date of this report are:

Executive Directors:

Mr. ZHU Xinli (appointed in September 2006)
Mr. JIANG, Xu (appointed in September 2006)
Mr. LU Changqing (appointed in September 2006)

Non-executive Directors:

Mr. LENG Xuesong (appointed in September 2006)
Mr. QIN Peng (appointed in September 2006)

Independent Non-executive Directors:

Mr. WANG Bing (appointed in September 2006)
Ms. ZHAO Yali (appointed in September 2006)
Mr. TSUI Yiu Wa, Alec (appointed in September 2006)
Mr. SONG Quanhou (appointed in January 2007)

In accordance with the Article 130 of the Company's articles of association, Mr. Zhu Xinli, Mr. Jiang Xu and Mr. Lu Changqing will retire from office as directors by rotation at 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 during the year ended 31 December 2006 are set out on pages 38 to 44 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 2006. The details of such related party transactions are set out in note 32 to the combined financial statements.

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 2006, 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 2006, no 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), was 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 Issuers (the "Model Code") as the Company was not listed on the Hong Kong Stock Exchange as at that date.

The Company became a listed company on the Main Board of the Hong Kong Stock Exchange on 23 February 2007. As at date of this report, 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, 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	38.58%
Mr. Lu Changqing	700,000 ^(c)	0		0	700,000	0.04%

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)(d)}	0	610,000,000	38.58%

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) Assuming (i) full conversion of the Convertible Bonds; and (ii) full exercise of the currently outstanding options granted under the Pre-IPO Share Option Scheme;
- (c) Number of shares subject to options granted under the Pre-IPO Share Option Scheme; and
- (d) 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 the date of this report, 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 2006 or the period following 31 December 2006 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

1. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to provide the grantees below 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 and amended by written resolution of the sole shareholder of the Company dated 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 (with details set out below), no further options will be offered or granted, as the right to do so was ended upon the listing of shares of the Company on the Hong Kong Stock Exchange.

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As at the date of this report, the following options have been granted to the following members of the senior management of the Group under the Pre-IPO Share Option Scheme and are currently outstanding:

Grantee	Position in the Company	Number of outstanding options
Lu Changqing	Director and Joint Company Secretary	700,000
Ng Yuk Keung	Vice President, Chief Financial Officer and Joint Company Secretary	700,000
Matthew Gene Mouw	Vice President	700,000
Dong Ying	Financial Controller	300,000
Total		2,400,000

All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner:

Date	Percentage of shares subject to the option
1st anniversary after the Listing Date	30%
2nd anniversary after the Listing Date	60%
3rd anniversary after the Listing Date	100%

All options granted under the Pre-IPO Share Option Scheme will not be exercisable within the first six months from the Listing Date. Mr. Lu Changqing, the director, will not exercise any options granted under the Pre-IPO Share Option Scheme to the extent that the percentage of the shares in the public hands will be less than the public float requirements under the Hong Kong Listing Rules.

The options issued under the Pre-IPO Share Option Scheme represent approximately 0.17% of the Company's enlarged share capital as at the date of this report. If all options are exercised, this would have a dilutive effect on the shareholders of the Company of approximately 0.17%.

2. Share Option Scheme

The Share Option Scheme was approved by the resolution of the then sole shareholder of the Company on 30 January 2007. The purposes of the Share Option Scheme are to provide incentive and/or reward to Eligible Persons (as defined in the section headed "Share Option Scheme" in Appendix VII "Statutory and General Information" to the Prospectus) for their contribution to the Company and their continuing efforts to promote the Company's interests.

The details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix VII to the Prospectus.

As at the date of this report, 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 2006, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the Company had not been listed on the Hong Kong Stock Exchange as at that date.

As at the date of this report, 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 ^(a)
Mr. Zhu Xinli	610,000,000	38.58%
Huiyuan Holdings ^(b)	610,000,000	38.58%
China Huiyuan Holdings ^(b)	610,000,000	38.58%
Danone ^(c)	337,497,501	21.35%
	610,000,000 ^(d)	38.58%
Danone Asia ^(c)	337,497,501	21.35%
	610,000,000 ^(d)	38.58%
Warburg Pincus ^(e)	100,444,118 ^(f)	6.35%
Warburg Pincus Funds Investor ^(e)	100,444,118 ^(f)	6.35%

Short positions

Name	Number of shares	Percentage of the Company's share capital ^(a)
Mr. Zhu Xinli	610,000,000 ^(d)	38.58%
Huiyuan Holdings ^(b)	610,000,000 ^(d)	38.58%
China Huiyuan Holdings ^(b)	610,000,000 ^(d)	38.58%

Notes:

- (a) Assuming (i) full conversion of the Convertible Bonds; and (ii) full exercise of the currently outstanding options granted under the Pre-IPO Share Option Scheme;
- (b) 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;
- (c) 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;

- (d) Pursuant to an agreement dated September 23, 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.
- (e) Warburg Pincus Funds Investor is a wholly owned subsidiary of Warburg Pincus. Warburg Pincus is therefore deemed to be interested in the shares held by Warburg Pincus Funds Investor; and
- (f) Assuming the full conversion of the Convertible Bonds held by Warburg Pincus Funds Investor at a 15% discount to the Offer Price.

Save as disclosed above, the directors are not aware of any persons who will 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.

Dilutive effect of the Convertible Bonds

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 29.10% from 31.73% prior to such conversion.

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

The Company's shares are listed on the Hong Kong Stock Exchange since 23 February 2007. Neither the Company, nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

Pursuant to the written resolution passed by the then sole shareholder of the Company on 30 January 2007, a general mandate was granted to the Board to exercise the powers of the Company to purchase shares up to 10% of the issued share capital of the Company.

Emolument Policy

Details of the directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 25(b) & (c) to the combined financial statements.

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 adopted a share option scheme as an incentive for directors and eligible employees. Details of the scheme are set out in note 34(c) to the financial statements.

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 amounted to approximately HK\$3,380 million. These net proceeds were partially applied during the period from the Listing Date up to the date of this report 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 in Hong Kong. The additional net proceeds of HK\$346 million as a result of exercise of the Over-allotment Option will be used for the general working capital of the Group in the subsequent years.

The details of the significant post balance sheet events of the Group are set out in note 34 to the combined financial statements.

Major customers and suppliers

In the year ended 31 December 2006, 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 2006 are set out in note 18 to the combined financial statements.

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 33 to 37.

Sufficiency of public float

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

Connected Transactions

During the year ended 31 December 2006, the Company was not listed and therefore did not have any connected transactions which were subject to the requirements of the Hong Kong Listing Rules. Nonetheless, in relation to the non-exempt continuing connected transactions of the Group with the companies controlled by Mr. Zhu Xinli, the ultimate controlling shareholder of the Group which will continue following the Listing Date (the "Non-exempt Continuing Connected Transactions"), the waivers granted by the Hong Kong Stock Exchange from strict compliance with the applicable requirements under the Hong Kong Listing Rules were conditional on, among the other things, that the aggregate amount of the Non-exempt Connected Transactions for the year ended 31 December 2006 shall not exceed their respective caps.

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 2006 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	140,383,000	158,000,000
External packaging materials	19,602,000	23,000,000
Total	159,985,000	181,000,000

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 2006 accounted for 36.8% and 17.2% 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	1,119,000	1,214,755
Land, buildings and structures located at Zhengzhong Village, Miaocheng Town, Huairou District, Beijing, the PRC	1,838,000	2,000,000
Total	2,957,000	3,214,755

3. Recyclable container sales

Sales item	Aggregate Amount (RMB)	Annual Cap (RMB)
Recyclable container	17,660,000	22,420,000

Related Parties Transactions

The Group is also involved in a number of related party transactions during the year ended 31 December 2006 which have been disclosed in note 32 to the combined financial statements.

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 2006.

Charitable Donations

During the year ended 31 December 2006, the Group made charitable donations amounting to approximately RMB2 million.

Financial Management and Audit Committee

The Group's annual report for the year ended 31 December 2006 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 36.

Auditors

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

On behalf of the board

ZHU Xinli
Chairman

Beijing, 23 April 2007