

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. The Company noted that the Hong Kong Stock Exchange has issued the “Code of Corporate Governance Practices” (the “**Corporate Governance Code**”) as contained in Appendix 14 of the Hong Kong Listing Rules, which is effective for accounting periods commencing on or after 1 January 2005. Pursuant to the Hong Kong Listing Rules, listed companies are required to include in their annual report a report on their corporate governance practices during the accounting period, including compliance with the Corporate Governance Code.

As the Company was not listed on the Main Board of the Hong Kong Stock Exchange until 23 February 2007, the Board considers that the Company was not required to comply with the requirements under the Corporate Governance Code or the continuing obligations requirements of a listed company pursuant to the Hong Kong Listing Rules for the year ended 31 December 2006. As such, the Board considers that the corporate governance report requirement does not apply to the Company as the Company was not a listed company during the relevant period. Nonetheless, as part of the preparation for listing, the Company has enhanced its corporate governance practices to comply with the Hong Kong Listing Rules requirements.

The following is a summary of the principal corporate governance measures the Company has undertaken to meet the standards prescribed by the Corporate Governance Code.

Corporate Governance Code

The Company has adopted the Corporate Governance Code as its own code to govern its corporate governance practices and will endeavour to comply with Corporate Governance Code for the coming years. The Board will also review and monitor the practices of the Company from time to time with an aim to maintaining and improving a high standard of corporate governance practices.

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. The Company will comply with the requirements under the Corporate Governance Code to make specific enquiry of all the directors on whether they have complied with the required standards as set out in the Model Code regarding the directors’ dealings in the securities of the Company.

Board of Directors

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. JIANG Xu
Mr. LU Changqing

Non-executive directors

Mr. LENG Xuesong
Mr. QIN Peng

Independent non-executive directors

Mr. WANG Bing
Ms. ZHAO Yali
Mr. TSUI Yiu Wa, Alec
Mr. SONG Quanhou

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

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.

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.

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 will consider and formulate clear and specific rules and policies on such delegation of power to facilitate efficient operation of the Company.

Board meetings will be held at least four times a year at approximately quarterly intervals and also as and when required. 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 will be given to each member of the Board at least 14 days prior to the meeting, whereby the director can put forward his proposed items into the agenda. Board minutes will be kept by the joint company secretaries of the Company and are available for inspection by the Board and auditors 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 joint company secretaries, and is able to seek independent professional advice as and when required at the Company's expense.

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

Following the listing of the Company, one Board meeting was held on 23 April 2007 with all directors in attendance to review various matters including the Group's results and performance for the year 2006.

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.

Remuneration and Nomination Committee

The remuneration and nomination committee of the Board (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.

According to its terms of reference, the Remuneration and Nomination Committee shall hold meetings at least twice a year. Following the listing of the Company, one meeting was held on 16 April 2007 with all committee members in attendance to review the matters delegated to it as mentioned above.

Financial Management and Audit Committee

The financial management and audit committee of the Board (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. Leng Xuesong. 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 auditors and provide advice and comments to the Board.

According to its terms of reference, the Financial Management and Audit Committee shall hold meetings at least twice a year. Following the listing of the Company, one meeting was held on 16 April 2007 with all committee members in attendance to review the matters delegated to it as mentioned above, including the Group’s results for the year 2006.

Strategy and Development Committee

The strategy and development committee of the Board (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. Leng Xuesong, 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.

According to its terms of reference, the Strategy and Development Committee shall hold meetings at least twice a year to review the matters delegated to it as mentioned above.

Auditors’ Remuneration

The remuneration paid/payable to the Company’s auditors, PricewaterhouseCoopers, during the year ended 31 December 2006 in relation to annual audit service is RMB3 million.

Directors' Responsibilities for Financial Statements

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

Auditors' Statement

The statement of the Company's auditors, PricewaterhouseCoopers, on their reporting responsibilities in respect of the financial statements of the Company for the period from 14 September 2006 (date of incorporation) to 31 December 2006 and the combined financial statements of the Group for the year ended 31 December 2006 is set out on pages 45 to 46 and pages 58 to 59, respectively.

Internal Control

In the course of preparation for the listing on the Hong Kong Stock Exchange, the Company had significantly revised and enhanced its internal controls and procedures. The Company has established a credit sales policy and will set up a credit evaluation and control committee to monitor settlement terms for sales to the distributors. The credit evaluation and control committee will monitor long outstanding debts and reports on such debts to ensure that they can be collected on a timely basis. Provisions are now made for debts that are assessed to be doubtful. In addition, the Company has established a new policy on checking conflicts of interest. The Company's independent non-executive directors will regularly review the connected transactions of the Company to ensure that their terms are fair and reasonable. The Company has further drafted procedures setting out the function, purpose, authority, limits, controls, operations, reporting lines, and responsibilities of its treasury department to ensure that its treasury team is independent from that of its parent company.

The Board, through the Financial Management and Audit Committee, will conduct reviews on the effectiveness of the Company's internal control system according to the applicable requirements under the Hong Kong Listing Rules.