Notes to the Financial Statements

(All amounts in RMB unless otherwise stated)

1 General information

China Huiyuan Juice Group Limited (the ''Company'') was incorporated in the Cayman Islands on 14 September 2006 as an exempted company with limited liability under the Company Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

Pursuant to a group reorganisation (the ''Reorganisation'') which included exchange of shares to rationalise the structure of the group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of Huiyuan Beijing Holdings Limited, Huiyuan Shanghai Holdings Limited and Huiyuan Chengdu Holdings Limited (the ''BVI Companies''), the then holding companies of all other companies comprising the group and consequently became the holding company of the group. The Reorganisation was completed on 23 February 2007.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 February 2007.

The Company is an investment holding company. Its subsidiaries (which, together with the Company, are collectively referred to as the ''Group'') are principally engaged in the manufacturing and sales of juice products in the People's Republic of China (the ''PRC'').

These financial statements were authorised for issue by the Board of Directors on 23 April 2007.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards under historical cost convention.

As at 31 December 2006, the Company had net current liabilities of RMB53,980,000. Subsequent to 31 December 2006, the Company completed its initial public offering of shares in Hong Kong and raised net proceeds of approximately HK$3,726,000,000 (equivalent to approximately RMB3,692,000,000). Taking this into account and based on the Company's operating performance and working capital forecast, the directors consider that there are sufficient financial resources available to the Company to meet its liabilities as and when they fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC-Int 7, 'Applying the Restatement Approach under IAS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect this interpretation to be relevant for the Company;

- IFRIC-Int 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006, and IFRIC-Int 11, 'IFRS 2 — Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. Management is currently assessing the impact of IFRIC-Int 8 and IFRIC-Int 11 on the Company's operations;

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- IFRIC-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Company has already assessed its embedded derivative using principles consistent with IFRIC-Int 9;

- IFRIC-Int 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. The Company will apply IFRIC-Int 10 from 1 January 2007 but it is not expected to have significant impact on the Company's financial statements;

- IFRIC-Int 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. IFRIC-Int 12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As the Company does not participate in service concession arrangements, IFRIC-Int 12 is not relevant to the Company's operations;

- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007 and IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Company has assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007; and

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. The Company has assessed the impact of IFRS 8 and concluded that it will not have significant impact on the Company's financial statements.

2.2 Foreign currency translation

(a) *Functional and presentation currency*
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the ''Functional Currency''). The financial statements are presented in Renminbi (''RMB''), which is the Company's functional and presentation currency.

(b) *Transactions and balances*
Foreign currency transactions are translated into the Functional Currency using the applicable exchange rates quoted by the People's Bank of China prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 Summary of significant accounting policies (Continued)

2.3 Employee benefits

(a) *Share-based compensation*

The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the share-based compensation is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted as at the dates of grant, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) *Other benefits*

Other directors and employee's obligations are recorded as a liability and charged to the income statements when the Group is continually obliged or when there is a past practice that has created a constructive obligation.

3 Expenses by nature

	Period from 14 September 2006 (date of incorporation) to 31 December 2006 RMB'000
Auditors' remuneration	—
Others	**185**
	185

4 Taxation

No provision for Hong Kong profits tax has been made as the Company had no assessable profit in Hong Kong during the period.

5 Directors' emoluments

The emoluments of the directors of the Company were as follows:

Name of director	Salaries, wages and bonuses RMB'000	Contributions to pension plan RMB'000	Welfare and other expenses RMB'000	Total RMB'000
Zhu Xinli	—	—	—	—
Jiang Xu	—	—	—	—
Lu Changqing	—	—	—	—
Qin Peng	—	—	—	—
Leng Xuesong	—	—	—	—
Wang Bing	55	—	—	55
Zhao Yali	55	—	—	55
Tsui Yiu Wa	55	—	—	55

During the period, Mr. Zhu Xinli, Mr. Jiang Xu and Mr. Lu Changqing received emoluments from a related company in the PRC with respect to their services to the related company and the Company. No apportionment has been made as the directors consider that it is impractical to do so.

6 Share capital

	Number of shares of US$0.00001 each	US$
Authorised		
— Ordinary shares upon incorporation of the Company on 14 September 2006	5,000,000,000	50,000
Issued and paid up		
— Allotted and issued, credited as fully paid upon incorporation on 14 September 2006	1	—
		RMB
Presented in the financial statements		—

The Company was incorporated in the Cayman Islands on 14 September 2006 with an authorised share capital of US$50,000 divided into 5,000,000,000 shares of US$0.00001 each. Upon incorporation of the Company, one share was allotted and issued to China Hui Yuan Juice Holdings Co., Ltd., the holding company, which was credited as fully paid.

7 Amounts due to related parties

All balances due to related companies are unsecured, non-interest bearing and repayable on demand.

8 Subsequent events

(a) On 5 February 2007, the Company, China Hui Yuan Juice Holdings Co., Ltd., the then holding company, and the holders of convertible bonds issued by China Hui Yuan Juice Holdings Co., Ltd. in June 2006 (the ''June 2006 Convertible Bond''), entered into an agreement (the ''Agreement'') pursuant to which the Company agreed to issue an aggregate of US$85,000,000 (equivalent to approximately RMB663,000,000) convertible bonds due 28 June 2011 (the ''Convertible Bonds'') to the holders of the June 2006 Convertible Bond in exchange for the surrender of the June 2006 Convertible Bonds by the holders. The Convertible Bonds have the same terms and conditions as the June 2006 Convertible Bonds.

Upon completion of the Agreement, the Company would record the estimated fair value of the Convertible Bonds as at the completion date as a distribution to the holding company.

The major terms and conditions of the Convertible Bonds are as follows:

(i) Interest rate:

The Company shall pay an interest on the Convertible Bonds at 2.0% per annum prior to the date on which dealings in the Company's shares first commence on The Stock Exchange of Hong Kong Limited (the ''Listing Date'') and 2.5% per annum following the Listing Date. A bondholder may (but is not obliged to) elect to receive some or all of the interest payments payable to it on any interest payment date by way of receipt of Convertible Bonds with an equivalent principal amount.

(ii) Conversion price:

Each bondholder has the right to convert any outstanding Convertible Bonds into the ordinary shares of the Company at 85% of the offer price upon the Company's initial public offering of shares (the ''Offer Price'').

(iii) Maturity:

The Company must redeem any outstanding Convertible Bonds on 28 June 2011 at a price that will enable the bondholders to receive a 7.5% internal return rate on the principal amount of the Convertible Bonds being redeemed (excluding any additional Convertible Bonds received as interest payment in kind).

(iv) Redemption:

On 28 June 2009, each bondholder has an option, subject to the approval of the majority bondholders, to require the Company to redeem the outstanding Convertible Bonds held by it at a price as determined under the Agreement.

In addition to the above, Mr. Zhu Xinli, a shareholder of the Company has also undertaken to compensate the bondholders in respect of any shortfall in the prescribed rate of return of the bondholders as set out in the Agreement.

(All amounts in RMB unless otherwise stated)

8 Subsequent events (Continued)

(b) The Company has conditionally adopted a pre-IPO share option scheme and a share option scheme. On 30 January 2007, the Company has granted share options under the pre-IPO share option scheme under which the option holders are entitled to acquire an aggregate of 3,100,000 shares of the Company over a vesting period of 3 years. No options have been granted under the share option scheme.

(c) On 23 February 2007, the Company issued an aggregate of 828,424,999 shares of US$0.00001 each to the then shareholders of the other companies comprising the Group, in exchange for the entire interests of the BVI Companies in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

Details of the companies comprising the Group which have become subsidiaries of the Company since 23 February 2007 (date of Reorganisation) are as follows:

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issue and fully paid share capital/ registered capital	Attributable equity interests to the Group	Principal activities
Directly held					
Huiyuan Beijing Holdings Limited	8 March 2005	The British Virgin Islands (the "BVI")	US$50,000	100%	Investment holdings
Huiyuan Shanghai Holdings Limited	2 March 2005	The BVI	US$50,000	100%	Investment holdings
Huiyuan Chengdu Holdings Limited	2 March 2005	The BVI	US$50,000	100%	Investment holdings
Indirectly held					
[1]Beijing Huiyuan Food & Beverage Co., Ltd.	12 December 1994	The PRC	US$20,000,000	100%	Manufacture of fruit and vegetable juices
[1]Luzhong Huiyuan Food & Beverage Co., Ltd.	12 June 2002	The PRC	US$20,100,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Huiyuan Group Huanggang Co., Ltd.	27 May 2003	The PRC	RMB100,000,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Huiyuan Group Kaifeng Co., Ltd.	11 March 2004	The PRC	RMB50,000,000	100%	Manufacture of fruit and vegetable juices
[1]Harbin Huiyuan Food & Beverage Co., Ltd.	18 June 2004	The PRC	RMB60,000,000	100%	Manufacture of fruit and vegetable juices

(All amounts in RMB unless otherwise stated)

8 Subsequent events (Continued)

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issue and fully paid share capital/ registered capital	Attributable equity interests to the Group	Principal activities
[1]Jiujiang Huiyuan Food & Beverage Co., Ltd.	1 August 2002	The PRC	RMB80,000,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Huiyuan Beverage & Food Group Chengdu Co., Ltd.	10 August 2001	The PRC	RMB250,000,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Huiyuan Group Xianyang Beverage & Food Co., Ltd.	23 September 2003	The PRC	RMB80,000,000	100%	Manufacture of fruit and vegetable juices
[1]Shanghai Huiyuan Food & Beverage Co., Ltd.	24 October 2001	The PRC	US$12,500,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Xinyuan Food & Beverage Co., Ltd.	27 November 2001	The PRC	US$10,000,000	100%	Manufacture of fruit and vegetable juices
[1]Beijing Huiyuan Group Luzhong Co., Ltd.	6 November 2001	The PRC	RMB80,000,000	100%	Inactive
[1]Xinjiang Huiyuan Food & Beverage Co., Ltd.	27 December 2006	The PRC	RMB20,000,000	100%	Manufacture of fruit and vegetable juices

1 The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(d) In addition, on 23 February 2007, the Company completed its placing and public offering of shares by issuing 559,072,502 shares of US$0.00001 each at a price of HK$6 per share (including 159,072,502 shares issued to an existing shareholder). The Company's shares were then listed on Main Board of The Stock Exchange of Hong Kong Limited. On 1 March 2007, an over-allotment option was exercised by the Company's underwriters and an additional 60,000,000 shares of US$0.00001 each were issued at a price of HK$6 per share. Net proceeds from these share issues amounted to approximately HK$3,726,000,000 (equivalent to RMB3,692,000,000).