China Huiyuan Juice Group Limited

中國滙源果汁集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1886)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

- Key financial items

	2006	2005	Change %
	RMB'000	*RMB'000*	
Sales	**2,066,275**	1,392,100	48.4%
Gross profit	**675,930**	474,234	42.5%
Profit attributable to equity holders	**221,611**	107,509	106.1%

- Successfully listed on the Main Board of the Hong Kong Stock Exchange on 23 February 2007 and the net proceeds raised was approximately HK$3,726 million
- With the strong growth in sales volume across all core products, sales and profit attributable to equity holders amounted to approximately RMB2,066.3 million and RMB221.6 million, representing a growth of 48.4% and 106.1% respectively
- According to an AC Nielsen survey, the market shares of Huiyuan for 100% juice and nectars for the year ended 31 December 2006 amounted to 40.8% and 38.8% respectively, showing Huiyuan's continuing leading position in China's juice market

In this announcement "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The directors (the "Directors") of China Huiyuan Juice Group Limited (the "Company") are pleased to announce the combined results of the Company and its subsidiaries (the "Group" or "Huiyuan") for the year ended 31 December 2006, together with the comparative figures for 2005, as follows:

COMBINED INCOME STATEMENT

		Year ended 31 December	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Sales	*4*	**2,066,275**	1,392,100
Cost of sales		**(1,390,345)**	(917,866)
Gross profit		**675,930**	474,234
Other income		**103,376**	79,774
Selling and marketing expenses		**(379,015)**	(244,193)
Administrative expenses		**(114,246)**	(129,045)
Operating profit	*6*	**286,045**	180,770
Finance costs — net	*7*	**(55,328)**	(42,350)
Profit before income tax		**230,717**	138,420
Income tax expenses	*8*	**(9,734)**	(28,228)
Profit for the year		**220,983**	110,192
Attributable to:			
Equity holder of the Company		**221,611**	107,509
Minority interest		**(628)**	2,683
		220,983	110,192

COMBINED BALANCE SHEET

		As at 31 December	
		2006	2005
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,805,945**	1,779,496
Intangible assets		**331,571**	329,289
Land use rights		**230,671**	88,007
Deferred tax assets		**21,252**	13,482
		2,389,439	2,210,274
Current assets			
Inventories		**522,834**	428,762
Trade and other receivables	*11*	**347,561**	200,451
Amounts due from related parties		**140,463**	883,523
Restricted cash		**5,341**	26,975
Cash and bank deposits		**90,810**	25,994
		1,107,009	1,565,705
Total assets		**3,496,448**	3,775,979
EQUITY			
Owner's equity		**1,547,415**	1,555,408
Minority interest		**—**	58,245
Total equity		**1,547,415**	1,613,653
LIABILITIES			
Non-current liabilities			
Borrowings		**54,411**	86,062
Deferred government grants		**70,612**	62,059
Long-term payable for property, plant and equipment		**10,173**	12,546
Long-term payable for license fee		**10,592**	—
Deferred tax liabilities		**—**	38,902
		145,788	199,569

		As at 31 December	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*12*	**839,804**	616,167
Amounts due to related parties		**91,860**	655,150
Taxation payable		**9,984**	14,461
Deferred revenue		**42,124**	—
Borrowings		**819,473**	676,979
		1,803,245	1,962,757
Total liabilities		**1,949,033**	2,162,326
Total equity and liabilities		**3,496,448**	3,775,979
Net current liabilities		**(696,236)**	(397,052)
Total assets less current liabilities		**1,693,203**	1,813,222

1. Group reorganization

Pursuant to a group reorganization (the "Reorganization") 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 "Hong Kong Stock Exchange"), 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 Reorganization was completed on 23 February 2007.

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

2. Basis of preparation of the combined financial statements

Although the Reorganization was not completed until 23 February 2007, the Directors considered that it is meaningful to present the combined financial position and results of operations of the Group for the year ended 31 December 2006, as all the entities comprising the Group were beneficially owned and controlled by the same shareholder before and after the Reorganization.

In addition to the companies comprising the Group, the combined financial statements also include the assets, liabilities, results of operation, cash flow and changes in equity of the following entities which were involved in the same business and were under common control and management with the other companies comprising the Group during the years ended 31 December 2005 and 2006:

	Name of company	Place and date of establishment	Issue and fully paid up capital
1	Beijing Huiyuan Juice & Beverage Group Yichang Co., Ltd. ("Yichang") *(note (a))*	The PRC 10 June 1998	RMB14,250,000
2	Huiyuan Beverage & Food Group Youyu Co., Ltd. ("Youyu") *(note (a))*	The PRC 12 January 1999	RMB16,133,500
3	Beijing Huiyuan Beverage & Food Yanbian Co., Ltd. ("Yanbian") *(note (a))*	The PRC 19 July 2002	RMB50,000,000
4	Gongyi Huiyuan Beverage & Good Co., Ltd. *(note (a), (b))*	The PRC 1 June 2000	RMB18,000,000

Notes:

(a) These companies were majority owned by Beijing Huiyuan Beverage & Food Group Co., Ltd., a related company, during the years ended 31 December 2005 and 2006, and were engaged in manufacturing and sales of juice beverages in the PRC until 30 June 2006.

(b) This company was disposed to a third party on 28 December 2005.

As a result of the segregation of these businesses from the Group effective on 30 June 2006, the assets and liabilities of Yichang, Youyu and Yanbian as at 30 June 2006 were reflected as a deemed distribution to the equity holder in the combined statement of changes in equity for the year ended 31 December 2006.

In addition, the combined financial statements also include the expenses relating to the Group's business which were paid by Beijing Huiyuan Beverage & Food Group Co., Ltd., a related company, on behalf of the Group during the years ended 31 December 2005 and 2006.

As at 31 December 2006, the Group had net current liabilities of RMB696,236,000 (2005: RMB397,052,000). 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 Group's operating performance and working capital forecast, the Directors consider that there are sufficient financial resources available to the Group 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 combined financial statements on a going concern basis.

3. Summary of significant accounting policies

The combined financial statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (IFRS). In addition, the combined financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The combined financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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 Group;

- 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 Group's operations;

- 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 Group 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 Group will apply IFRIC-Int 10 from 1 January 2007 but it is not expected to have significant impact on the Group'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 Group does not participate in service concession arrangements, IFRIC-Int 12 is not relevant to the Group'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 Group 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 Group 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 Group has assessed the impact of IFRS 8 and concluded that it is not expected to have significant impact on the Group's financial statements.

4. Sales

Sales recognised during the year are as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Sales		
— Juice *(a)*	**1,956,635**	1,262,502
— Other beverages	**109,640**	129,598
Total	**2,066,275**	1,392,100

Note:

(a) The Group made barter sales of approximately RMB16,625,000 (2005: RMB13,941,000) during the year in exchange for transportation vehicles, refrigerators, other tangible assets and advertising services.

5. Segment reporting

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of juice and other beverage products. The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of the revenues and results. Also, less than10% of the Group's total assets are located outside the PRC. Accordingly, no geographical segment is presented.

6. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	2006	2005
	RMB'000	*RMB'000*
Loss on disposal of land use right	**4,330**	—
Loss/(gain) on disposal of property, plant and equipment	**1,654**	(4,415)
Depreciation of property, plant and equipment	**131,122**	117,669
Amortization of land use rights and prepayment for land use rights	**4,900**	1,890
Amortization of trademark and license right	**9,581**	5,930

7. Finance costs — net

	2006	2005
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**38,404**	46,777
— Other borrowings	**5,242**	6,893
— Related parties borrowings	**8,505**	10,779
— Discount interest fro bank draft	**873**	7,904
	53,024	72,353
Less: Interest capitalised	**(596)**	(3,134)
	52,428	69,219
Exchange losses/(gains) on borrowings	**2,900**	(26,869)
	55,328	42,350

8. Income tax expenses

	2006	2005
	RMB'000	*RMB'000*
Current tax — PRC enterprise income tax	**8,845**	27,641
Deferred income tax	**889**	587
	9,734	28,228

Hong Kong profits tax has not been provided as the Group has no assessable profit derived from Hong Kong.

PRC enterprises income tax is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purpose. The applicable enterprise income tax rate for the companies of the Group is 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax, except that certain companies are entitled to preferential tax treatment.

9. Earnings per share

No earnings per share information are presented as its inclusion, for the purpose of the combined financial statements, is not considered meaningful.

10. Dividends

As disclosed in the Prospectus of the Company dated 8 February 2007, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

11. Trade and other receivables

	Note	2006 RMB'000	2005 RMB'000
Trade receivables	(a)	**155,177**	116,808
Bills receivable		**54,776**	32,013
Prepayments		**124,256**	43,575
Other receivables		**13,352**	8,055
		347,561	200,451

(a) *Trade receivables*

	2006 RMB'000	2005 RMB'000
Trade receivables	**163,063**	136,828
Less: Provision for impairment of receivables	**(7,886)**	(20,020)
	155,177	116,808

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are widely dispersed within the PRC. Majority of the Group's sales are settled in cash or by cheque on delivery of goods. The remaining amounts are with credit terms of 90 – 180 days. At 31 December 2005 and 2006, the ageing analysis of the trade receivables were as follows:

	2006 RMB'000	2005 RMB'000
Within 3 months	**105,361**	90,997
Between 3 and 6 months	**42,277**	24,008
Between 6 and 12 months	**15,287**	15,478
Between 1 and 2 years	**138**	4,042
Between 2 and 3 years	**—**	2,108
Over 3 years	**—**	195
	163,063	136,828

12. Trade and other payables

	2006 RMB'000	2005 RMB'000
Trade payables	**236,990**	169,686
Bills payable	**26,385**	67,810
Advance from customers	**46,168**	68,087
Payable for property, plant and equipments	**177,829**	202,477
Payable for land use rights	**127,300**	17,724
Salary and welfare payable	**36,999**	14,766
Advertising and other marketing expenses payable	**53,823**	—
Accrued expenses	**39,510**	17,369
Deposits payable	**23,124**	17,701
Other taxes	**27,596**	11,830
Payable for share issuance costs	**23,443**	—
Others	**20,637**	28,717
	839,804	616,167

Details of ageing analysis of trade payables is as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**208,772**	118,874
Between 3 and 6 months	**14,503**	11,399
Between 7 and 12 months	**3,289**	10,181
Between 1 and 2 years	**3,447**	18,152
Between 2 and 3 years	**2,955**	10,200
Over 3 years	**4,024**	880
	236,990	169,686

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The juice beverage market in China continued to experience significant growth in 2006 and the fruit and vegetable juices category continues to be the fastest growing soft drink category in China last year. In volume terms, China sold 5.3 billion litres of fruit and vegetable juices in 2006 and Euromonitor expects the China fruit and vegetable juices market to grow at a 10.1% compound annual growth rate from 2006 to 7.8 billion liters in 2010. The fruit and vegetable juices beverage market can be divided into three segments, 100% juice, nectars and juice drinks. The growth in China's juice beverage market is primarily driven by increasing consumer demand. Increase in urban population and disposable income, and increasing consumer affluence and sophistication, continues to push demand for natural and healthy beverage products such as fruit and vegetable juices. The rapid development of extensive distribution chains in the form of supermarkets, hypermarkets and convenience stores also facilitate increased accessibility to the mass market, which should also increase consumption of juice products in China. The growth of the juice beverage market is concentrated in the urban areas in East China and South China in particular where we have focused the expansion of our distribution network.

Business Review

Operating results

The Group has achieved strong operating results in 2006, which is evidence to the fact that our operating strategies to strengthen our brand name recognition, to increase our product range and to expand our production network has successfully won the trust of new consumers, which in turn further promoted our sales. For the year ended 31 December 2006, the Group's sales amounted to RMB2,066.3 million, an increase of 48.4% over 2005. The increase in our revenue was mainly due to the continued growth of the juice market, and our 100% juice series occupies a leading position in the market, resulting in our steadily rising turnover. The Group has also given impetus to the fast growth in sales by introducing new products. During the year, the Group started to advertise its nectars under the "Guo Xian Mei" brand and successfully captured larger market share and consumer recognition of our products. Although the prices of certain raw materials rose significantly during the year, thanks to our multi-product strategies and economies of scale, we were able to mitigate the negative effect of increasing production costs. As a result, our gross profit margin only decreased slightly from 34.1% in 2005 to 32.7%. Our profit attributable to equity holders increased by 106.1%, which was a record high since the inception of the Group. Since the Group was listed in 2007, the Board does not recommend the payment of dividend for the year ended 31 December 2006.

Leading position in the market

Brand name recognition and development is the cornerstone of our growth. Over the years, the brand name of "huiyuan" has been linked to health drinks by Chinese consumers and is synonymous with the image of being nutritious, delicious and healthy. The Group is committed to the development of product mix to cater to the evolving changes of customer preference and to promote sales in our target markets. In February 2006, the Group marketed the "Guo Xian Mei" series targeting young ladies who are conscious of their health and well-being. With a slogan of "Drink Guo Xian Mei AND Get Pretty Quick" together with a host of sales and marketing activities organized by the Group, the products are selling very well after the launch. According to a survey by AC Nielsen, for the year ended 31 December 2006, the market shares of Huiyuan Juice for 100% juice and nectars amounted to 40.8% and 38.8% respectively, thus staying firmly in the leading position.

Financial Review

Sales

Sales in 2006 of our core juice products, comprising 100% fruit juices, nectars and juice drinks, increased by 55.0% from RMB1,262.5 million in 2005 to RMB1,956.6 million in 2006 primarily a result of strong growth in sales volume across all of our core juice products. Our total juice products sales volume increased by 51.9% from 439,849 tonnes in 2005 to 668,180 tonnes in 2006. In particular, our nectars continue to be our main revenue driver accounting for 43.4% of our total juice products sales and 42.6% of our total juice products sales volume in 2006. At the same time, our average selling prices only increased marginally in 2006 as compared with average selling prices for our juice products in 2005.

Our sales of 100% fruit juices increased by 34.3% from RMB299.7 million in 2005 to RMB402.5 million in 2006, due to an increase of 29.4% in sales volume for the same periods and a 3.8% increase in average selling price for juices within our 100% fruit juice category. The overall increase in sales of our 100% fruit juices was primarily due to a substantial increase in sales volume of our family-sized products. Our overall sales volume increased because of better sales distribution through supermarkets and hypermarkets.

Our sales of nectars increased by 74.7% from RMB486.5 million in 2005 to RMB849.9 million in 2006 primarily due to a substantial increase of 67.4% in sales volume (as compared to 2005) and a 4.4% increase in average selling price for nectars. The increases were driven by increased sales volume for both single serving and family-sized package products sold through our increasing network of supermarkets and hypermarkets and other distribution outlets as well as the introduction of new products.

Our sales of juice drinks increased by 47.8% from RMB476.4 million in 2005 to RMB704.2 million in 2006, primarily due to a substantial increase in sales volume of our family-sized juice drinks, partially offset by a slight decrease in average selling price for family-sized juice drinks, and a strong increase in sales volume and average selling price of our smaller single serving juice drinks.

Our sales of other beverage products decreased by 15.4% from RMB129.6 million in 2005 to RMB109.6 million in 2006 as a result of our continuing focus on our core juice products.

Cost of sales

Cost of sales increased by 51.5% from RMB917.9 million in 2005 to RMB1,390.4 million in 2006 which was slightly higher as compared to our 48.4% increase in sales for the same periods. The increase in cost of sales was primarily a result of increases in raw material costs due to our increased sales volume. The increase in our raw material costs was primarily because of (i) an increase of 71.1% in our costs of juice concentrates and purees from RMB175.3 million in 2005 to RMB300.0 million in 2006 due to an increase in our product volume and increase in average price for imported juice concentrates; (ii) an increase of 92.3% in our costs of sugar from RMB79.3 million in 2005 to RMB152.5 million in 2006 primarily due to an increase in our overall production volume and also an increase in average purchase price for sugar; and (iii) an increase of 43.6 % in our costs of packaging materials from RMB350.0 million in 2005 to RMB502.5 million in 2006 primarily due to an increase in our production volume.

Gross profit

Our gross profit increased by 42.5% from RMB474.2 million in 2005 to RMB675.9 million in 2006 due to our increased sales. Our gross profit margin decreased slightly from 34.1% in 2005 to 32.7% in 2006.

Other income

Our other income increased by 29.6% from RMB79.8 million in 2005 to RMB103.4 million in 2006 primarily as a result of net gain from sales of raw materials (being the recyclable containers for juice concentrates and purees), as well as an increase in amortization of deferred government grants.

Selling and marketing expenses

Our selling and marketing expenses increased by 55.2% from RMB244.2 million in 2005 to RMB379.0 million in 2006 primarily due to an increase in our advertising and promotional costs relating to our products in general which amounted to RMB261.6 million in 2006 as compared to RMB165.4 million in 2005, an increase in transportation and related charges which amounted to RMB78.2 million in 2006 (RMB57.6 million in 2005) which resulted from our increased sales. Increased salaries and benefits for our sales representatives as well as an increase in headcount of our sales representatives also contributed to the increase in our selling and marketing expenses.

Administrative expenses

Administrative expenses decreased by 11.5% from RMB129.0 million in 2005 to RMB114.2 million in 2006 primarily due to reduction in our rental expense and recovery of doubtful debt.

Finance costs

Finance costs increased by 30.4% from RMB42.4 million in 2005 to RMB55.3 million in 2006 primarily as a result of a foreign exchange loss of RMB2.9 million (as compared to a foreign exchange gain of RMB26.9 million in 2005).

Income tax expenses

Income tax expenses decreased by 65.5% from RMB28.2 million in 2005 to RMB9.7 million in 2006. The decrease was due to an overall decrease in our effective tax rate of 20.4% in 2005 to 4.2% in 2006, primarily as a result of the commencement of the tax exemption period of additional production facilities including Huanggang Huiyuan, Chengdu Huiyuan and Xianyang Huiyuan in early 2006.

Loss attributable to minority interest

The loss attributable to minority interest in 2006 was RMB0.6 million as compared to a profit of RMB2.7 million in 2005 because certain of our group companies incurred losses during the year 2006 and were closed during 2006.

Profit attributable to our equity holders

The profit for 2006 attributable to our equity holders increased by 106.1% from RMB107.5 million in 2005 to RMB221.6 million in 2006. Our margin for profit attributable to our equity holders increased from 7.9% in 2005 to 10.7% in 2006.

Liquidity and capital resources

In 2006, our working capital and other capital requirements were principally funded by operations and cash at hand, short term and long term bank borrowings.

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated:

	Year ended 31 December	
	2006	2005
	(RMB in million)	
Net cash generated from operating activities	**293.5**	180.4
Net cash from/(used in) investing activities	**287.9**	(114.3)
Net cash used in financing activities	**(516.6)**	(105.6)
Net increase/(decrease) in cash and cash equivalents	**64.8**	(39.5)
Cash and cash equivalents at year end	**90.8**	26.0

Gearing ratio (total debt/total equity) of the Group was 56.5% as at 31 December 2006, representing an increase of 19.5% as compared to 47.3% recorded in 2005.

Operating activities

Net cash generated from operating activities in 2006 was RMB293.5 million, while we had a profit before tax in 2006 of RMB230.7 million. The difference of RMB62.8 million was primarily due to a RMB131.1 million depreciation of property, plant and equipment, a RMB157.3 million increase in trade and other payables due to third parties as a result of our increased purchase of raw materials and our accrual of marketing expenses and a RMB39.9 million in amounts due to related parties as a result of our purchase of raw materials from related parties, which were offset by a RMB120.8 million increase in inventories, a RMB151.8 million increase in trade and other receivables as a result of an increase in credit sales and prepayments for raw materials.

Investing activities

Our net cash from investing activities in 2006 was RMB287.9 million as compared to net cash used in investing activities of RMB114.3 million in 2005 which was primarily a result of a RMB556.9 million decrease in loans/balances from related parties and proceeds from the sale of property, plant and equipment. The cash outflow for 2006 was mainly used for our expansion of production facilities and the related purchase of property, plant and equipment.

Financing activities

Net cash outflow for financing activities in 2006 was RMB516.6 million as compared to an outflow of RMB105.6 million in 2005. The increase in cash used in financing activities of RMB411.0 million was primarily a result of a RMB528.4 million repayment of borrowings from related parties (as compared to an amount of RMB70.0 million in 2005) and a RMB281.8 distribution to equity holders (as compared to nil in 2005). The cash outflow in 2006 was partially offset by a RMB130.5 million capital injection and a RMB62.5 million proceeds from borrowings from related parties.

Capital expenditure

Capital expenditures comprised purchases of property, plant and equipment, and additions to land use rights.

During the two years ended 31 December 2005 and 2006, we consistently increased our annual total capital expenditures. The following table sets forth our capital expenditures for the periods indicated.

	Year ended 31 December	
	2006	2005
	(RMB in million)	
Purchase of property, plant and equipment	**253.2**	126.7
Purchase of land use rights	**42.7**	25.3
Total capital expenditures	**295.9**	152.0

As at 31 December 2006, we had capital commitments of RMB13.2 million for purchase of property, plant and equipment.

We expect that our capital expenditures will amount to approximately RMB758 million in 2007 which is currently planned to be primarily used to increase production capital for juice beverages via the construction of two factories, the purchase of land use rights and maintenance of our production facilities. We plan to finance our 2007 capital expenditure requirements primarily with part of the net proceeds from the Global Offering and cash generated from our operations.

In January 2007, we drew down the full amount from a US$70,000,000 syndicated loan term facility ("January 2007 Syndicated Loan") arranged by ABN AMRO BANK N.V. acting on behalf of 10 financial institutions. Pursuant to the terms of the facility agreement, we plan to use US$63 million of the January 2007 Syndicated Loan to refinance our Renminbi indebtedness to PRC domestic banks and plan to use the rest of the January 2007 Syndicated Loan to finance our capital expenditure and working capital requirements. The January 2007 Syndicated Loan is repayable in 5 semi-annual installment starting in January 2010.

Contingent liabilities

As at 31 December 2006, we did not have any outstanding contingent liabilities.

Off-balance sheet transactions

As at 31 December 2006, we had not entered into any off-balance sheet transactions.

Pledge of Assets

As at 31 December 2006, the property, plant, equipment and land use right with net book value of RMB94.7 million of the Group were pledged to secure certain bank borrowings.

Capital leases

As at 31 December 2006, the Group did not have any capital leases.

Market risk

We are exposed to various types of market risks, including interest rate risk, foreign exchange risks and credit risk.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. Our debt consists of variable rate debt obligations with original maturities ranging from one to seven years. We undertake debt obligations to support general corporate purposes including capital expenditures and working capital needs. We have no significant concentration of interest rate risk.

Foreign exchange rate risk

All of our transactions are mainly conducted in Renminbi, except for the purchase of certain juice concentrates from Brazil, Israel and the United States and the purchase of certain machine and equipment from overseas sources. As of 31 December 2006, 10.6% of our borrowings were denominated in Euro. Substantially all of our net proceeds from our global offering and listing of shares in February 2007 are in foreign currency, namely Hong Kong dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into Renminbi, of our net assets, earnings and any dividends we declare.

Credit risk

Our cash and cash equivalents are deposited principally with state-owned banks in the PRC. The carrying amount of trade receivables and cash included in the combined financial statements represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets that carry significant exposure to credit risk. We have no significant concentration of credit risk.

Future development

China is rich in fruit resources, once we can foster the simple habit of drinking fruit juice, not only can we cultivate a wholesome diet culture, but we can also work for the well being of consumers and provide more opportunities to local farmers in selling their fruits. Based on this simple philosophy, Huiyuan Juice was established in 1992. In the wake of the rapid economic growth of China, consumers are becoming more accustomed to western styles of food and beverage, and wholesome beverages and foods have become more widely adopted. As such, Huiyuan Juice continues to develop at a fast pace, which is a reflection of the market trend. According to the estimate of Euromonitor, the sales volume of vegetable and fruit juice of China is expected to increase from 5.3 billion litres in 2006 to 7.8 billion litres in 2010, or a CAGR of 10.1%, whereas the global growth rate is only 3.9%. For the year ended 31 December 2006 compared with the last year, the Group's growth rate of its juice products sales volume was 51.9%. With the ever expanding market, Huiyuan Juice is well-positioned to capture any future opportunity and the Board is confident that the Company can sustain its rapid growth at a rate higher than the industry.

Objectives and strategies

Our objectives are to maximize our shareholder's value, to introduce a healthy food and drink culture in China, to introduce delicious products and to generate solid returns. We shall adhere to the following principles for our long-term growth:

— continue to focus on the fast growing fruit juice market of China, consolidate and further expand the market share of Huiyuan

— construct more plants and further expand our distribution network in strategic regions

— further consolidate our basis of supply for raw materials together with domestic and international suppliers

— leverage on the merits of our strategic and financial investors

We have never overlooked the importance of professional management. As Huiyuan Juice has moved on to a new level, we will leverage the international experience of Danone Asia and Warburg Pincus in professional management, so that we can improve our transparency and realize our undertaking to increase shareholder's value, making Huiyuan Juice a well-known brand name in China and recognised company in the international capital market.

Subsequent events

On 5 February 2007, the Company, China Huiyuan Juice Holdings Co., Ltd., holding company, and the holders of convertible bonds issued by China Huiyuan 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.

The Company has conditionally adopted a pre-IPO share option scheme and a share option scheme, the purpose of which is to provide incentive to the Group's directors and employees for their contribution to the Group. 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.

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 equity interests of the BVI Companies, in preparation for the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange.

In addition, on 23 February 2007, the Company completed its placing and public offering 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 Hong Kong Stock Exchange. 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 form these share issues amounted to approximately HK$3,726,000,000 (equivalent to RMB3,692,000,000).

Human Resources Management

As at 31 December 2006, the Group employed approximately 6,371 employees. The Group's remuneration package is determined with reference to the experience and qualifications of individual employee and general market conditions. Bonus is linked to the Group's financial results as well as individual's performance. The Group also ensures that all employees are provided with adequate training and continuing professional opportunities according to their needs.

Corporate Governance Code

The Company has adopted the Code of Corporate Governance Practices (the "Corporate Governance Code") as contained in Appendix 14 of the Listing Rules 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 as contained in Appendix 10 of the 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.

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 announcement.

Pursuant to written resolutions 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.

Use of IPO Proceeds from Listing

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 announcement and such application is consistent with the proposed usage of the net proceeds set forth in the prospectus of the Company dated 8 February 2007. 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.

Annual General Meeting

The annual general meeting of the Company will be held on Friday, 8 June 2007. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Review of Accounts

The Financial Management and Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising two independent non-executive directors and one non-executive director, has discussed with management and reviewed the combined financial statements of the Group for the year ended 31 December 2006. The figures in respect of the Group's results for the year ended 31 December 2006 as contained in this announcement have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft combined financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to our staff for their commitment and diligence during the year.

Disclosure of Information on the Stock Exchange's Website

This results announcement will be published on the Stock Exchange's website. The 2006 annual report of the Company containing all information required under the Listing Rules will be dispatched to shareholders of the Company and will be made available on the website of the Stock Exchange in due course.

By order of the Board
ZHU Xinli
Chairman

Beijing, 23 April 2007

Our Directors are Mr. ZHU Xinli, Mr. LU Changqing and Mr. JIANG Xu as executive Directors, Mr. QIN Peng and Mr. LENG Xuesong as non-executive Directors and Mr. WANG Bing, Ms. ZHAO Yali, Mr. TSUI Yiu Wa, Alec and Mr. SONG Quanhou as independent non-executive Directors.

* *for identification purpose only*

"*Please also refer to the published version of this announcement in* ***South China Morning Post***."