



煙台北方安德利果汁股份有限公司

**Yantai North Andre Juice Co., Ltd.\***

*(a joint stock limited company incorporated in the People's Republic of China)*

**First Quarterly Report**  
**For the three months ended 31 March 2003**

\* *For identification purpose only*

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This report, for which the directors (the “Directors”) of Yantai North Andre Juice Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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**QUARTERLY RESULTS**

The Directors are pleased to present the first quarterly results of the Company together with its subsidiaries (collectively the "Group") for the three months ended 31 March 2003, together with the comparative figures for the corresponding period in 2002, as follows:

	<i>Note</i>	<b>Unaudited Three months ended 31 March</b>	
		<b>2003 RMB'000</b>	<b>2002 RMB'000</b>
Turnover	3	<b>72,907</b>	66,867
Cost of sales		<b>(43,156)</b>	(49,088)
<b>Gross profit</b>		<b>29,751</b>	17,779
Other operating income		<b>23</b>	3,064
Distribution expenses		<b>(8,415)</b>	(1,048)
General and administrative expenses		<b>(1,969)</b>	(1,572)
Other operating expenses		<b>–</b>	(3,206)
<b>Profit from operations</b>		<b>19,390</b>	15,017
Net finance costs		<b>(2,636)</b>	(1,630)
<b>Profit before taxation</b>		<b>16,754</b>	13,387
Taxation	4	<b>(914)</b>	(2,161)
<b>Profit after taxation</b>		<b>15,840</b>	11,226
Minority interests		<b>285</b>	–
<b>Profit attributable to shareholders</b>		<b>16,125</b>	11,226
<b>Dividend</b>	6	<b>–</b>	22,776
<b>Basic earnings per share</b>	5	<b>RMB 0.14</b>	RMB 0.10

*Notes:*

## **1. General**

The Company was established in the form of a Sino-foreign equity joint venture in Yantai, Shandong province, the People's Republic of China ("PRC") on 30 March 1996.

With approval from the Ministry of Foreign Trade and Economic Co-operation, the legal form of the Company was changed from that of a Sino-foreign equity joint venture to a Sino-foreign joint stock limited company on 26 June 2001 with a total registered share capital of RMB 113,880,000, represented by 113,880,000 shares with a par value of RMB1 per share.

The Company is principally engaged in the manufacture and sale of all kinds of fruit juice, apple extract, and related products.

## **2. Basis of preparation and principal accounting policies**

The principal accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2003 conform with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board. IFRS include International Accounting Standards and Interpretations.

The unaudited consolidated results for the three months ended 31 March 2003 are prepared on the historical cost basis.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2003 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2002.

## **3. Turnover**

The Group is principally engaged in the production and sale of condensed juice. Turnover represents income arising from the sale of condensed juice net of value added tax.

## **4. Taxation**

The Company is subject to PRC income tax, before any relief or concession, at a rate of 24%. In accordance with the relevant PRC tax rules and regulations, the Company is exempt from PRC income tax for two years starting from its first profit-making year, and is entitled to a 50% relief on PRC income tax for the following three years. As 1999 was the Company's first profitable year, the applicable income tax rate for 2003 is 12%.

The subsidiary operating in the United States is subject to income tax at the appropriate current rates of taxation ruling in the United States. During the three months ended 31 March 2003, the subsidiary was subject to the United States Federal and State income tax at a statutory rate of 34% and 8.84% respectively.

The subsidiary operating in Shaanxi, PRC is also subject to PRC income tax, before any relief or concession, at a rate of 15%. In accordance with the relevant PRC tax rules and regulations, the subsidiary is exempt from PRC income tax for two years starting from its first profit-making year, and is entitled to a 50% relief on PRC income tax for the following three years. As 2002 was the subsidiary's first profitable year, the applicable income tax rate for 2003 is 0%.

The subsidiary operating in Longkou, PRC is also subject to PRC income tax, before any relief or concession, at a rate of 24%. In accordance with the relevant PRC tax rules and regulations, the subsidiary is exempt from PRC income tax for two years starting from its first profit-making year, and is entitled to a 50% relief on PRC income tax for the following three years. Accordingly, the applicable income tax rate for 2003 is 0%.

The subsidiaries in Xuzhou, PRC had no profits attributable to PRC income tax for the three months ended 31 March 2003.

**5. Basic earnings per share**

The basic earnings per share for the three months ended 31 March 2003 and 2002 are calculated based on the profits attributable to shareholders during the three months ended 31 March 2003 and 2002 and the 113,880,000 shares issued and outstanding upon the establishment of the joint stock limited company on 26 June 2001.

Diluted earnings per share has not been calculated for the three months ended 31 March 2002 and 2003 respectively as there were no dilutive potential ordinary shares during these periods.

**6. Dividend**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2003. Pursuant to a resolution passed at the shareholders' meeting on 9 March 2002, a dividend totaling RMB22,776,000 for 2001 was approved and paid thereafter.

**7. Reserves**

There has been no movement of reserves, other than retained earnings, during the three months ended 31 March 2003 (2002: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

It is the Group's business objective to become one of the well-known manufacturers in the apple juice concentrate industry and other fruit and vegetable juice concentrate industry, both in the PRC and the US, with an established brand name of itself.

For the three months ended 31 March 2003, turnover of the Group increased to approximately RMB72.91 million, compared to RMB66.87 million for the corresponding period in 2002. The Group's turnover for the first quarter of 2003 was principally derived from the manufacture and sale of apple juice concentrate, apple extract and related products.

As compared with the same period in 2002, the increase in the Group's turnover during the first quarter of 2003 was mainly attributable to higher income arising from the sale of apple juice concentrate. The Directors believe that the quality of the Group's products had increased the sales demand from its customers during 2003.

Distribution expenses of the Group principally comprised transportation expenses, export inspection expenses and promotion expenses. The significant increase in distribution expenses for the three months ended 31 March 2003 was mainly attributable to the higher export inspection expenses and transportation expenses.

The Group recorded a profit attributable to shareholders of approximately RMB16.13 million for the three months ended 31 March 2003, compared with a profit attributable to shareholders of approximately RMB11.23 million for the corresponding period in 2002. As compared with the same period in 2002, the increase in the net profit margin of the Group during the first quarter of 2003 for approximately 5.33% was mainly attributable to lower cost of sales incurred. Upon the production plants in Longkou and Baishui coming into full operation in late 2002, the Group was able to source its major raw material, apples with lower cost. Accordingly, lower cost of sales resulted in the higher net profit margin for the three months ended 31 March 2003.

### **Prospects**

In order to meet the increasing demand for apple juice concentrate, a new production plant of the Group will be constructed in Xuzhou, Jiangsu province. Such new production plant will be equipped with similar machineries and equipment as in the existing production plants of the Group. Upon such new production plant coming into full operation, the Directors anticipate that the overall production capacity of the Group will increase from the existing 100,000 tonnes of apple juice concentrate per pressing season to approximately 125,000 tonnes of apple juice concentrate per pressing season.

The Directors anticipate that the research and development in apple processing would substantiate the long-term product development of the Group and resolve in advance problems encountered during the production process. The Directors intend to enhance the Company's research and development capability through the Key Technologies Research and Development Programme of the Tenth Five-Year Plan (十五國家科技攻關計劃). The Company plan to acquire machineries and equipment in the future to facilitate its research and development activities.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Up to 14 May 2003, neither the Company or its subsidiaries has purchase, sale or redemption any of the Company's shares.

## **DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

None of the Directors or supervisors (the "Supervisors") of the Company or respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 March 2003.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY**

As the H shares of the Company were listed on the GEM of the Stock Exchange on 22 April 2003, the Company was not required to keep a register under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 31 March 2003.

As at 14 May 2003, the interests (including interests and short positions in the shares, underlying shares and debentures) of the Directors and the Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, (within the meaning of Part XV of Securities and Futures Ordinance) if any, as required to be recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of Directors	Class of shares	Number of ordinary shares of RMB1.00 each				4. Total
		Long position				
		1. interest in shares	2. interest in debentures	3. interest under equity derivatives		
Zheng Yue Wen	Domestic Shares	60,356,400 <i>Note (1)</i>	–	–	60,356,400	
Wang An	Domestic Shares	19,929,000 <i>Note (2)</i>	–	–	19,929,000	

Name of Directors	Class of shares	Number of ordinary shares of RMB1.00 each		
		Short position		3. Total
		1. short position in respect of shares	2. short position in respect of equity interest	
Zheng Yue Wen	Domestic Shares	–	–	–
Wang An	Domestic Shares	–	–	–

*Notes:*

1. Zheng Yue Wen holds 43% equity interest in Beijing RAJ Network Sales Co., Ltd. (“Beijing RAJ”) and Beijing RAJ holds 3.75% of the shareholdings of the Company directly upon completion of the Placing. Beijing RAJ also holds 80% of the equity interest in Beijing Yantai Century Technology Development Co., Ltd. (“Century Technology”) and 6% equity interest in Glory Industrial Co., Ltd (“Glory Industrial”). In addition, Zheng Yue Wen also holds 52% equity interest in Nanchang Creat Group Co., Ltd (“Nanchang Creat”), which in turns holds 76.66% equity interest in Glory Industrial. Century Technology holds 17.34% equity interest in Glory Industrial and 79% equity interest in Glory Cause Land Afforestation Co., Ltd. (“Glory Cause Land”). Glory Industrial holds 16% equity interest in Glory Cause Land. Glory Cause Land will hold 35.99% of the shareholdings of the Company directly upon completion of the Placing. Zheng Yue Wen, through his interest in the Company, is deemed to have 100% interest in Xuzhou Andre Juice Co., Ltd., Baishui Andre Juice Co., Ltd., Yantai Longkou Andre Juice Co., Ltd. and Yantai North Andre Juice, Inc.
2. Wang An holds 66.72% equity interest in Yantai Donghua Fruit Co., Ltd., which in turn holds 13.12% of the shareholdings of the Company directly upon completion of the Placing.

Save as disclosed above, none of the Directors and the Supervisors and their respective associates had any interests in the shares or debentures of the Company and its associated corporations, (within the meaning of Part XV of Securities and Futures Ordinance) if any, as required to be kept in the register of directors’ and chief executives’ interests and short positions under Section 352 of the SFO.

## **SUBSTANTIAL SHAREHOLDERS**

As the H shares of the Company were listed on the GEM of the Stock Exchange on 22 April 2003, the Company was not required to keep a register under Section 29 of the SDI Ordinance as at 31 March 2003.



So far as the Directors are aware, as at 14 May 2003, the shareholders having an interest (including interests and short positions in the shares, underlying shares and debentures) of 5% or more in the respective class of share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO are listed as follows:

Name of substantial shareholders	Class of shares	Number of shares held		Percentage in the respective class of share capital	
		Long position	Short position		
		1. interest in shares	2. interest under equity derivatives		
Beijing RAJ	Domestic Shares	60,356,400	–	–	73.61%
Zheng Yue Wen <sup>(Note 1)</sup>	Domestic Shares	60,356,400	–	–	73.61%
Glory Cause Land	Domestic Shares	54,662,400	–	–	66.67%
Century Technology	Domestic Shares	54,662,400	–	–	66.67%
Korea Jeong Soo	Promoter	28,470,000	–	–	89.29%
	Foreign Shares				
Oh Jeong Taek <sup>(Note 3)</sup>	Promoter	28,470,000	–	–	89.29%
	Foreign Shares				
Donghua Fruit	Domestic Shares	19,929,000	–	–	24.31%
Wang An <sup>(Note 2)</sup>	Domestic Shares	19,929,000	–	–	24.31%
Yung Ka Hee Titus	Promoter	3,416,400	–	–	10.71%
	Foreign Shares				

Apart from the aforesaid, no other person is kept in the register of interest in shares and short positions of the Company under Section 336 of the SFO as having an interest in 5% or more in the respective class of share capital of the Company.

*Notes:*

1. The wife of Zheng Yue Wen is not a shareholder of the Company. However, she is deemed to be interested in the 60,356,400 shares of the Company (as defined under Divisions 2, 3 and 4 of Part XV of the SFO).
2. The wife of Wang An is not a shareholder of the Company. However, she is deemed to be interested in the 19,929,000 shares of the Company (as defined under Divisions 2, 3 and 4 of Part XV of the SFO)
3. The wife of Oh Jeong Taek is not a shareholder of the Company. However, she is deemed to be interested in the 28,470,000 shares of the Company (as defined under Divisions 2, 3 and 4 of Part XV of the SFO)

## **SPONSOR'S INTERESTS**

Pursuant to a sponsor agreement dated 22 April 2003 between the Company and Barits Securities (Hong Kong) Limited ("Barits"), Barits have been appointed as the sponsors to the Company as required under the GEM Listing Rules for a fee from 22 April 2003 to 31 December 2005.

Barits, its directors, employees or any of their respective associates did not have any interest in any securities of the Company or any of its associated corporations as at 31 March 2003.

## **COMPETING INTERESTS**

None of the Directors, the management shareholders of the Company and their respective associates as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group nor any other conflicts of interest which has or may have with the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprised two independent non-executive Directors, namely Zhang An Ming, who is the Chairman of such committee, and Hu Xiao Song.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the first quarterly report for the three months ended 31 March 2003, with the Directors.

By Order of the Board  
**Zheng Yue Wen**  
*Executive Director*

Hong Kong, 14 May 2003