



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)

Third Quarterly Report
For the nine months ended 30 September 2003

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.



烟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)

QUARTERLY RESULTS

The Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2003, together with the comparative unaudited figures for the corresponding period in 2002, as follows:

| | Note | Unaudited For the three months ended 30 September | | Unaudited For the nine months ended 30 September | |
|--|------|---|-----------------|--|-----------------|
| | | 2003 RMB'000 | 2002 RMB'000 | 2003 RMB'000 | 2002 RMB'000 |
| Turnover | 2 | 77,298 | 35,676 | 234,257 | 170,227 |
| Cost of sales | | (49,112) | (26,628) | (140,246) | (120,914) |
| Gross Profit | | 28,186 | 9,048 | 94,011 | 49,313 |
| Other operating income | | 1,277 | 7,765 | 1,392 | 58,803 |
| Distribution expenses | | (12,638) | (2,486) | (36,841) | (3,915) |
| General and administration expenses | | (4,772) | (2,961) | (9,447) | (6,833) |
| Other operating expenses | | (20) | (7,756) | (89) | (58,256) |
| Profit from operations | | 12,033 | 3,610 | 49,026 | 39,112 |
| Net finance costs | | (2,456) | (1,415) | (7,557) | (4,527) |
| Profit before taxation | | 9,577 | 2,195 | 41,469 | 34,585 |
| Taxation | 3 | (253) | (151) | (1,090) | (4,187) |
| Profit after taxation | | 9,324 | 2,044 | 40,379 | 30,398 |
| Minority interests | | – | 195 | 285 | 246 |
| Profit attributable to shareholders | | 9,324 | 2,239 | 40,664 | 30,644 |
| Dividends | 4 | 34,932 | – | 34,932 | 22,776 |
| Basic earnings per share | 5 | RMB0.06 | RMB0.02 | RMB0.30 | RMB0.27 |

* For identification purpose only

Notes:

1. Basis of preparation and accounting policies

The principal accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2003 conform with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board. IFRS include International Accounting Standards and Interpretations. These unaudited consolidated results for the nine months ended 30 September 2003 also comply with the applicable disclosure provisions of the GEM Listing Rules of the Hong Kong Stock Exchange.

The unaudited consolidated results for the nine months ended 30 September 2003 are prepared on the historical cost basis.

The accounting policies have been consistently applied by the Group and are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2002.

2. Turnover

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

3. 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.

The other subsidiaries operating in the PRC are also subject to PRC income tax, before any relief or concession, at a rate of 15% to 30%. In accordance with the relevant PRC tax rules and regulations, these subsidiaries are 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.

4. Dividends

The board recommended a final dividend of RMB0.23 per share totalling RMB34,932,400 for the year of 2002 which was approved in the extraordinary general meeting held on 27 September 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.

5. Earnings per share

(a) Basic earnings per share

For the three months and the nine months ended 30 September 2003, the calculation of earnings per share is based on the unaudited profit attributable to shareholders of RMB9,324,000 and RMB40,664,000, respectively (For the three months and nine months ended 30 September 2002, the unaudited profits attributable to shareholders were RMB2,239,000 and RMB30,664,000 respectively) divided by the weighted average number of shares issued during the respective period. For the three months and the nine months ended 30 September 2003, the weighted average numbers of shares in issue were 151,880,000 and 137,125,421 respectively (For the three months and the nine months ended 30 September 2002, the weighted average number of shares in issue was 113,880,000).

(b) Diluted earnings per share

Diluted earnings per share has not been calculated for the three months and nine months ended 30 September 2002 and 2003 as there were no dilutive potential ordinary shares outstanding during these periods .

6. Reserves

| | Capital surplus <i>RMB '000</i> | Reserves <i>RMB '000</i> | Retained earnings <i>RMB '000</i> | Total Capital and reserves <i>RMB '000</i> |
|---|---|------------------------------------|---|--|
| Balance at 1 January 2003 | 10 | 14,443 | 47,092 | 61,545 |
| Premium arising from the placing of shares | 111,163 | – | – | 111,163 |
| Share issuance expenses | (22,092) | – | – | (22,092) |
| Net profit for the period | – | – | 40,664 | 40,664 |
| Dividends | – | – | (34,932) | (34,932) |
| | <u>89,081</u> | <u>14,443</u> | <u>52,824</u> | <u>156,348</u> |
| Balance at 30 September 2003 | <u>89,081</u> | <u>14,443</u> | <u>52,824</u> | <u>156,348</u> |
| Balance at 1 January 2002 | 10 | 5,070 | 29,209 | 34,289 |
| Net profit for the period | – | – | 30,644 | 30,644 |
| Dividends | – | – | (22,776) | (22,776) |
| | <u>10</u> | <u>5,070</u> | <u>37,077</u> | <u>42,157</u> |
| Balance at 30 September 2002 | <u>10</u> | <u>5,070</u> | <u>37,077</u> | <u>42,157</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the production and sale of apple juice concentrate. The Group's business objective is 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 its own.

For the nine months ended 30 September 2003, turnover of the Group increased to approximately RMB234.26 million, compared to approximately RMB170.23 million for the corresponding period in 2002. The Group's turnover for the nine months ended 30 September 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 third quarter of 2003 was mainly attributable to the increase in sales volume of the Group's apple juice concentrate, which the Directors believe was due to increased recognition by the customers of the quality of the Group's products.

For the nine months ended 30 September, 2003, distribution expenses increased from approximately RMB3.92 million to approximately RMB36.84 million, compared to the corresponding period in 2002. Distribution expenses of the Group principally comprised transportation expenses, export inspection expenses and promotion expenses. The significant increase in distribution expenses was mainly attributable to the higher export inspection expenses and transportation expenses. The Group recorded a profit attributable to shareholders of approximately RMB40.66 million for the nine months ended 30 September 2003, compared with a profit attributable to shareholders of approximately RMB30.64 million for the corresponding period in 2002.

Prospects

Diversification of products

The Company intends to diversify its products to a wide variety of concentrates such as pectin, pear juice and essence to broaden its revenue sources. Accordingly, on 30 August 2003, the Company entered into an agreement with Yantai North Andre Juice, Inc. to establish a sino-foreign equity joint venture enterprise (the "Joint Venture Company"), for the production and sale of pectin. Since then, the Joint Venture Company has obtained its business license and has paid up a sum of US\$1.8 million, equivalent to 15% of its total registered capital. With establishment of the Joint Venture Company, the Directors believe that the Group would be able to effectively integrate the new product varieties into its existing operation, achieving diversification of product types and broadening of its revenue sources.

Research and development

The Directors are well aware of the importance of research and development to the Group's continual growth and its long-term competitiveness. The Company intends to conduct research on the pectin extraction technology, focusing on quality maintenance of the pectin extracted.

PURCHASE, SALE OR REDEMPTION OF SHARES

Up to 11 November 2003, neither the Company or its subsidiaries have purchased, sold or redeemed any of the Company's shares.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive (the "Chief Executive") 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 30 September 2003.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES AND SHORT POSITIONS

As at 30 September 2003, the interests (including interests in shares and short positions) of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares and debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

| Name of Directors | Class of shares | Number of shares held | Capacity | Type of interest | Percentage of holding in Domestic Shares | Percentage of holding in total share capital |
|-------------------|-----------------|-----------------------|------------------------------------|------------------|--|--|
| Zheng Yue Wen | Domestic Shares | 60,356,400 (L) | Interest of controlled corporation | Personal | 53% | 39.74% |
| Wang An | Domestic Shares | 19,929,000 (L) | Interest of controlled corporation | Personal | 17.8% | 13.12% |

Note: The letter "L" stands for long position

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2003, the persons who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO are listed as follows:

| Name of substantial shareholders | Class of shares | Number of shares held | Capacity | Type of interest | Percentage of holding in Domestic Shares | Percentage in total share capital |
|---|---|-----------------------|------------------------------------|------------------|--|-----------------------------------|
| Zheng Yue Wen | Domestic Shares | 60,356,400(L) | Interest of controlled corporation | Personal | 53% | 39.74% |
| 光彩事業國土綠化整理有限公司 Glory Cause Land Afforestation Co., Ltd.* | Domestic Shares | 54,662,400(L) | Beneficial owner | Corporate | 48% | 35.99% |
| 北京瑞澤網絡銷售有限責任公司 Beijing RAJ Network Sales Co., Ltd.* | Domestic Shares | 5,694,000(L) | Beneficial owner | Corporate | 5.0% | 3.75% |
| Oh Jeong Taek | Domestic Shares (Promoter Foreign Shares) | 28,470,000(L) | Interest of controlled corporation | Personal | 25% | 18.75% |
| Korea Jeong Soo Andre Co., Ltd.* | Domestic Shares (Promoter Foreign Shares) | 28,470,000(L) | Beneficial owner | Corporate | 25% | 18.75% |
| Wang An | Domestic Shares | 19,929,000(L) | Interest of controlled corporation | Personal | 17.8% | 13.12% |
| 煙台東華果業有限公司 Yantai Donghua Fruit Co., Ltd.* | Domestic Shares | 19,929,000(L) | Beneficial owner | Corporate | 17.8% | 13.12% |

Note: The letter “L” denotes a long position.

** for identification purpose only*

SPONSOR'S INTERESTS

Pursuant to a sponsor agreement dated 22 April 2003 between the Company and Barits Securities (Hong Kong) Limited (“Barits”), Barits has been appointed as the sponsor 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 30 September 2003.

COMPETING INTERESTS

As at 30 September 2003, 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 comprises two independent non-executive Directors, namely Zhang An Ming, who is the Chairman, 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 third quarterly report for the nine months ended 30 September 2003, with the Directors.

By Order of the Board
Zheng Yue Wen
Executive Director

Hong Kong, 11 November 2003