



**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)*



**First Quarterly Report**

**For the three months ended 31 March 2004**

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

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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 of the Company are pleased to announce the unaudited quarterly results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2004, together with the comparative unaudited figures for the corresponding period in 2003, as follows:

		<b>Unaudited</b>	
		<b>For the three months</b>	
		<b>ended 31 March</b>	
		<b>2004</b>	<b>2003</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>	2	<b>136,408</b>	72,907
Cost of sales		<u><b>(81,142)</b></u>	<u>(43,156)</u>
<b>Gross Profit</b>		<b>55,266</b>	29,751
Other operating income		<b>2,868</b>	23
Distribution expenses		<b>(17,988)</b>	(8,415)
General and administration expenses		<u><b>(3,816)</b></u>	<u>(1,969)</u>
<b>Profit from operations</b>		<b>36,330</b>	19,390
Net finance costs		<u><b>(4,331)</b></u>	<u>(2,636)</u>
<b>Profit before taxation</b>		<b>31,999</b>	16,754
Taxation	3	<u><b>(1,930)</b></u>	<u>(914)</u>
<b>Profit after taxation</b>		<b>30,069</b>	15,840
Minority interests		<u>—</u>	<u>285</u>
<b>Profit attributable to shareholders</b>		<u><b>30,069</b></u>	<u>16,125</u>
Dividends	4	<u>—</u>	<u>—</u>
Basic earnings per share	5	<u><b>RMB 0.02</b></u>	<u>RMB 0.01</u>

*Notes:*

**1. Basis of preparation and accounting policies**

The principal accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2004 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 2004 also comply with the applicable disclosure provisions of the GEM Listing Rules of the Hong Kong Stock Exchange.

The unaudited consolidated results for the three months ended 31 March 2004 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 Group’s consolidated financial statements for the year ended 31 December 2003.

**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 concessions, at a rate of 24%. In accordance with the relevant PRC tax rules and regulations, the Company is entitled to a 50% relief on PRC income tax in years when the Company’s export sales amount to 70% or more of its total sales. According to the Company’s previous years’ sales records and sales in the first quarter of 2004, the Company expects that it will meet the requirements and be entitled to 50% relief on its PRC income tax for 2004. This tax preferential policy is subject to approval from the local tax authorities.

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 subject to PRC income tax, before any relief or concessions, at rates of 15% to 33%. In accordance with the relevant PRC tax rules and regulations, these subsidiaries are exempt from PRC income tax for two years starting from their first profit-making year, and are entitled to a 50% relief on PRC income tax for the following three years.

**4. Dividends**

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: Nil).

## 5. Earnings per share

### (a) *Basic earnings per share*

Pursuant to a resolution passed at a Special General Meeting and the Class Meetings of the holders of the H shares and Promoter shares of the Company on 24 October 2003 and approvals from relevant government authorities, every Promoter share and H share with a nominal or face value of RMB 1.00 in the share capital of the Company was subdivided into ten Promoter shares and ten H shares with a nominal or face value of RMB 0.10 each, respectively (the “Share Subdivision”) with effect from 1 December 2003.

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders for the three months ended 31 March 2004 of RMB30,069,000 (2003: RMB16,125,000) and the weighted average of 1,518,800,000 shares (2003: 1,138,800,000 shares) in issue during the period, as if the Share Subdivision had been effective throughout the periods presented.

### (b) *Diluted earnings per share*

Diluted earnings per share has not been presented as there were no dilutive potential ordinary shares in existence for the three months ended 31 March 2004 and 2003.

## 6. Reserves

There has been no movement of reserves, other than retained earnings, during the three months ended 31 March 2004 (2003: Nil).

## 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 three months ended 31 March 2004, the Group's turnover increased to RMB136,408,000, as compared to RMB72,907,000 in 2003, representing an increase of approximately 87.10%. The Group's turnover was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence and related products.

As compared with the same period in 2003, the increase in the Group's turnover 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 stimulated the increased customer's demand during 2004.

For the three months ended 31 March 2004, the Group had incurred distribution expenses of RMB17,988,000, as compared with RMB8,415,000 of the previous year, representing an increase of RMB9,573,000. Distribution expenses of the Group principally comprised transportation expenses, export inspection expenses and promotion expenses. The increase in distribution expenses was mainly attributable to the higher sea freight charges resulted from the higher sales volume recorded.

For the three months ended 31 March 2004, the Group had incurred general and administration expenses of RMB3,816,000, as compared with RMB1,969,000 of the previous year, representing an increase of RMB1,847,000, which was mainly attributable to the increase in administrative expenses arising from the commencement of operations of 徐州安德利果蔬汁有限公司 (Xuzhou Andre Juice Co. Ltd.) in August 2003. For the three months ended 31 March 2004, the Group's net profit increased to RMB30,069,000 as compared to RMB16,125,000 in 2003, representing an increase of approximately 86.47%.

## **Prospects**

The State's macro-economics policy of 2004 emphasises on the development of the agriculture industry. The policy offers better opportunities for growth of the Group. In line with our development plan, the Group will put further efforts in product diversification and market expansion and diversification. The plans are summarised as follows:

### *Production capability improvement*

Apart from the intention of constructing a new production line for pear juice and upgrading the exiting production lines to improve its production efficiency, the Group will seek opportunities in mergers and acquisition to further expand its business and strengthen its position in the industry.

### *Market diversification and marketing*

While strengthening its existing position in the existing markets, the Group will at the same time focus on diversification of its markets. In respect of the overseas markets, the Group will strengthen its US market and has been developing the European market. The Group is actively liaising with its customers with a view to achieving further breakthroughs in the European and Japanese markets. At the same time, the Group will actively promote its products in the domestic market.

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

Up to 13 May 2004, 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 31 March 2004.

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

As at 31 March 2004, 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 5.46 to 5.68 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 Promoter Shares	Percentage of holding in total share capital
Zheng Yue Wen	Domestic Shares	603,564,000 (L)	Interest of controlled corporation	Personal	53%	39.74%
Wang An	Domestic Shares	199,290,000 (L)	Interest of controlled corporation	Personal	17.5%	13.12%

*Note:* The letter “L” stands for long position



## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 March 2004, 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 shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage of holding in Promoter/ H Shares	Percentage in total share capital
Zheng Yue Wen	Promoter Shares	603,564,000 (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.*	Promoter Shares	546,624,000 (L)	Beneficial owner	Corporate	48%	35.99%
Oh Jeong Taek	Promoter Shares	284,700,000 (L)	Interest of controlled corporation	Personal	25%	18.75%
Korea Jeong Soo Andre Co., Ltd.*	Promoter Shares	284,700,000 (L)	Beneficial owner	Corporate	25%	18.75%
Wang An	Promoter Shares	199,290,000 (L)	Interest of controlled corporation	Personal	17.5%	13.12%
煙台東華果業有限公司 Yantai Donghua Fruit Co., Ltd.*	Promoter Shares	199,290,000 (L)	Beneficial owner	Corporate	17.5%	13.12%
北京瑞澤網絡銷售有限責任公司 Beijing RAJ Network Sales Co., Ltd.*	Promoter Shares	56,940,000 (L)	Beneficial owner	Corporate	5.0%	3.75%
Deutsche Bank Aktiengesellschaft	H Shares	30,830,000(L)	Beneficial owner	Corporate	8.11%	2.03%
The Capital Group Companies, Inc.	H Shares	30,000,000(L)	Investment manager	Corporate	7.89%	1.98%
Martin Currie China Hedge Fund Limited	H Shares	42,405,000(L)	Investment manager	Corporate	11.16%	2.79%

*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 31 March 2004.

## **COMPETING INTERESTS**

As at 31 March 2004, 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 first quarterly report for the three months ended 31 March 2004, with the Directors.

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

Hong Kong, 13 May 2004

As at the date hereof, the Board comprises:

Mr. Zheng Yue Wen (*Executive Director*)

Mr. Wang An (*Executive Director*)

Mr. Yu Hui Lin (*Executive Director*)

Mr. Zhang Hui (*Executive Director*)

Mr. Zhang Wan Xin (*Non-executive Director*)

Mr. Ren Xiao Jian (*Non-executive Director*)

Mr. Lei Liang Sheng (*Non-executive Director*)

Mr. Zhang An Ming (*Independent non-executive Director*)

Mr. Hu Xiao Song (*Independent non-executive Director*)