



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)



Interim Report

For the six months ended 30 June 2004

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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.



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)

HALF-YEAR RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Yantai North Andre Juice Co., Ltd. is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2004, with the comparatives of the corresponding periods in 2003, as follows:

Consolidated Income Statement

	Note	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	2	173,751	84,052	310,159	156,959
Cost of sales		(114,901)	(47,978)	(196,043)	(91,134)
Gross Profit		58,850	36,074	114,116	65,825
Other operating income		5,597	92	8,465	115
Distribution expenses		(27,121)	(15,788)	(45,109)	(24,203)
General and administration expenses		(4,389)	(2,706)	(8,205)	(4,675)
Other operating expenses		(63)	(69)	(63)	(69)
Profit from operations		32,874	17,603	69,204	36,993
Net finance costs		(5,546)	(2,465)	(9,877)	(5,101)
Profit before taxation	3	27,328	15,138	59,327	31,892
Taxation	4	(1,223)	77	(3,153)	(837)
Profit after taxation		26,105	15,215	56,174	31,055
Minority interests		—	—	—	285
Profit attributable to shareholders		26,105	15,215	56,174	31,340
Dividends	5	34,932	—	34,932	—
Basic earnings per share	6	RMB0.02	RMB0.01	RMB0.04	RMB0.02

Consolidated Balance Sheet

		Unaudited 30 June 2004 RMB'000	Audited 31 December 2003 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	7	371,044	352,919
Lease prepayments		24,509	23,858
Other investments		14,886	14,886
Goodwill		1,714	1,813
Total non-current assets		412,153	393,476
Current assets			
Inventories		109,887	220,527
Trade receivables	8	194,898	123,507
Other receivables and prepayments		81,444	59,565
Cash and cash equivalents		57,464	38,428
Total current assets		443,693	442,027
Total assets		855,846	835,503
EQUITY AND LIABILITIES			
Current liabilities			
Short-term bank loans		408,327	312,284
Trade payables	9	5,576	23,788
Other payables and accrued expenses		47,177	152,393
Dividends payable		26,192	–
Income tax payable		2,920	2,626
Total current liabilities		490,192	491,091
Net current liabilities		(46,499)	(49,064)
Total assets less current liabilities		365,654	344,412
Non-current liabilities			
Other long-term liabilities		2,392	2,392
Total non-current liabilities		2,392	2,392
Total liabilities		492,584	493,483

		Unaudited 30 June 2004 RMB'000	Audited 31 December 2003 RMB'000
	<i>Note</i>		
Capital and reserves			
Paid-in capital	10	151,880	151,880
Capital surplus		10	10
Share premium		89,071	89,071
Statutory reserves		33,037	33,037
Retained earnings		89,264	68,022
		<hr/>	<hr/>
Total capital and reserves		363,262	342,020
		<hr/>	<hr/>
Total equity and liabilities		855,846	835,503
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Cash Flow Statement

	Unaudited For the six months ended 30 June 2004 RMB'000	2003 RMB'000
Net cash inflow from operating activities	71,176	38,017
Net cash outflow from investing activities	(79,442)	(145,851)
	<hr/>	<hr/>
Net cash outflow before financing activities	(8,266)	(107,834)
Net cash inflow from financing activities	27,302	119,591
	<hr/>	<hr/>
Net increase in cash and cash equivalents	19,036	11,757
Cash and cash equivalents at beginning of the period	38,428	25,586
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	57,464	37,343
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	57,464	37,343
	<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Changes in Equity

	Paid-in capital <i>RMB'000</i>	Capital surplus <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total capital and reserves <i>RMB'000</i>
Balance as at 1 January 2004	151,880	10	89,071	33,037	68,022	342,020
Net profit for the period	–	–	–	–	56,174	56,174
Dividends	–	–	–	–	(34,932)	(34,932)
Balance as at 30 June 2004	<u>151,880</u>	<u>10</u>	<u>89,071</u>	<u>33,037</u>	<u>89,264</u>	<u>363,262</u>
Balance as at 1 January 2003	113,880	10	–	14,443	47,092	175,425
Issuance of shares	38,000	–	111,163	–	–	149,163
Share issue expenses	–	–	(22,092)	–	–	(22,092)
Net profit for the period	–	–	–	–	31,340	31,340
Balance as at 30 June 2003	<u>151,880</u>	<u>10</u>	<u>89,071</u>	<u>14,443</u>	<u>78,432</u>	<u>333,836</u>

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results for the six months ended 30 June 2004 have been prepared in accordance with the requirements of the GEM Listing Rules of the Hong Kong Stock Exchange, including compliance with International Accounting Standard 34 “Interim Financial Reporting” adopted by the International Accounting Standard Board.

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 sale of condensed juice net of value added tax.

3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting) the following items:

	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
(a) Net finance costs:				
Interest on bank loans repayable within five years	5,188	2,003	9,142	4,246
Bank charges and others	418	509	846	925
Interest income	(60)	(47)	(111)	(70)
(b) Other items:				
Amortisation of goodwill	49	66	98	66
Depreciation	1,689	1,176	9,836	4,659
Auditors' remuneration	19	10	39	20
Research and development expenses	2	6	2	7
Staff costs (including directors' remuneration)				
– salaries, wages and other staff welfare	1,293	654	2,635	1,401
– contributions to retirement benefit schemes	172	97	355	202

4. 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 half of 2004, the Board expects that the Company will meet the requirements and be entitled to a 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.

5. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004.

Pursuant to a resolution passed at the shareholders' meeting on 15 May 2004, a dividend totaling RMB34,932,400 for 2003 was approved.

6. 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 RMB1.00 in the share capital of the Company was subdivided into ten Promoter shares and ten H shares with a nominal or face value of RMB0.10 each, respectively (the "Share Subdivision") with effect from 1 December 2003.

For the three months and the six months ended 30 June 2004, the calculation of earnings per share is based on the unaudited profit attributable to shareholders of RMB26,105,000 and RMB56,174,000, respectively (For the three months and six months ended 30 June 2003, the unaudited profit attributable to shareholders is RMB15,215,000 and RMB31,340,000, respectively) and the weighted average number of shares in issue during the respective period, as if the Share Subdivision had been effective throughout the periods presented. For the three months and the six months ended 30 June 2004, the weighted average number of shares in issue is 1,518,800,000 and 1,518,800,000 (For the three months and the six months ended 30 June 2003, the weighted average number of shares in issue is 1,451,986,810 and 1,296,258,560, respectively).

(b) Diluted earnings per share

Diluted earnings per share has not been presented for the three months and six months ended 30 June 2004 and 2003 as there were no dilutive potential ordinary shares outstanding during these periods.

7. Property, plant and equipment

During the period from 1 January 2004 to 30 June 2004, the Group had additions to property, plant and equipment in the amount of RMB27,961,000.

8. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2004 <i>RMB'000</i>	Audited 31 December 2003 <i>RMB'000</i>
Within 3 months	170,715	103,417
Over 3 months but less than 6 months	<u>24,183</u>	<u>20,090</u>
Total	<u>194,898</u>	<u>123,507</u>

Customers are generally granted credit terms of 3 to 6 months, depending on the credit standing of individual customers.

9. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2004 <i>RMB'000</i>	Audited 31 December 2003 <i>RMB'000</i>
Within 6 months	4,534	23,521
Over 6 months but less than 1 year	986	218
Over 1 year	<u>56</u>	<u>49</u>
Total	<u>5,576</u>	<u>23,788</u>

10. Paid-in capital

	Unaudited 30 June 2004 <i>RMB'000</i>	Audited 31 December 2003 <i>RMB'000</i>
Registered, issued and fully paid:		
1,138,800,000 Promoter shares of RMB0.10 each	113,880	113,880
380,000,000 H shares of RMB0.10 each	<u>38,000</u>	<u>38,000</u>
Total	<u>151,880</u>	<u>151,880</u>

11. Commitments

- (a) As at 30 June 2004, the Group had capital commitments in respect of property, plant and equipment not provided for in the financial statements as follows:

	Unaudited 30 June 2004 RMB'000	Audited 31 December 2003 RMB'000
Contracted for	52,361	45,043
Authorised but not contracted for	39,625	68,191
	91,986	113,234

- (b) As at 30 June 2004, the Group was committed to contribute RMB63,265,000 and US\$2,550,000 to Yantai North Andre Pectin Co., Ltd. as capital contribution.
- (c) As at 30 June 2004, the Group had total future minimum lease payments under non-cancelable operating leases in respect of land use rights and buildings which are payable as follows:

	Unaudited 30 June 2004 RMB'000	Audited 31 December 2003 RMB'000
Within 1 year	1,200	1,200
After 1 year but within 5 years	1,500	2,100
Over 5 years	1,913	1,973
	4,613	5,273

12. Related party transactions

Particulars of significant transactions between the Group and its related parties are as follows:

- (a) As at 30 June 2004, a related party of the Group, Nanchang Creat Group Co., Ltd. provided guarantees for bank loans of the Company amounting to RMB100,000,000 (31 December 2003: RMB82,000,000).
- (b) As at 30 June 2004, the advances from Yantai North Andre Pectin Co., Ltd. amounted to RMB14,800,000 (31 December 2003: RMB14,800,000). The advances were unsecured, interest free and had no fixed terms of repayment.

13. Subsequent events

On 28 June 2004, the Company entered into a placing agreement for placing 178,500,000 new H shares for a net proceed of approximately HKD138,000,000. The placing was completed on 14 July 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Performance

For the six months ended 30 June 2004, the turnover of the Group increased to RMB310,159,000, compared to RMB156,959,000 for the corresponding period in 2003. The Group's turnover for the six months ended 30 June 2004 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 during the first half of 2004 was mainly attributable to higher income arising from the sale of apple juice concentrate. The Directors believe that the high quality of the Group's products had increased the sales demand from its customers during 2004.

For the six months ended 30 June 2004, the Group's net profit increased to RMB56,174,000, as compared to RMB31,340,000 for the corresponding period in 2003.

Other Operating Income

For the six months ended 30 June 2004, the Group's other operating income increased to RMB8,465,000, as compared to RMB115,000 for the corresponding period in 2003. The increase in other operating income was mainly due to the increase in the government grants.

Distribution and General Administration Expenses

For the six months ended 30 June 2004, the Group had incurred distribution expenses of RMB45,109,000, as compared to RMB24,203,000 for the corresponding period in 2003, representing an increase of RMB20,906,000, which was mainly attributable to the increase of sea freight charges (being one of the distribution expenses) resulted from the higher sales volume.

For the six months ended 30 June 2004, the Group had incurred general and administration expenses of RMB8,205,000, as compared to RMB4,675,000 for the corresponding period in 2003, representing an increase of RMB3,530,000. This increase was mainly attributable to the increase in expenses and trading volume of Xuzhou Andre Juice Co., Ltd., which is owned as to 75% by the Company and 25% by Andre Juice Co., Ltd. (a wholly owned subsidiary of the Company).

Research and Development

For the six months ended 30 June 2004, the Group has made progress in research and development:

1. Technological research ascertaining several parameters extracting pectin from apple residue, which set a foundation for the industrialisation in future.
2. Significant progress in ultrafiltration strainer recycling technology achieved, which pinpointed at ultrafiltration congestion, fundamentally shaped the resolution concept of the combination of biological compound fungi permeating technology, compound fungi cleaning technology and chemical cleaning technology. The permeability can currently be enhanced at 10% approximately.

Future prospects

In 2004, the focus of the PRC Government's macro economic policy is on the development of the agricultural industry. This will provide the Group with good opportunities for achieving higher growth. The Group will put further efforts in productivity enhancement, product diversification, market expansion and diversification, and enhancement of its research and development, as follows:

Collaborating with Internationally Renowned Enterprises

The Company is considering seeking internationally renowned enterprises as a strategic investor to acquire the equity interest of the Group for business cooperation. Collaborating with internationally renowned enterprises helps improve the corporate governance, enhances product quality, accelerates product diversification, and expands market and market share of the Group. In the event of any substantive progress in respect of the plan, the Company will notify the investors by issuing announcement.

Productivity Enhancement

To satisfy the continuously surging demand of juice concentrate within and outside of the PRC, the Group constructed a new production line for pear juice concentrate and upgraded the existing production lines to improve its production efficiency in order to reach a production capacity of approximately 150,000 tonnes of juice concentrate annually. Furthermore, the Group wishes to achieve the target of approximately 250,000 tonnes annual production capacity of juice concentrate and strengthen its leading position in the industry by seeking opportunities in mergers and acquisition.

Market Expansion and Promotion

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

Product Diversification

Other than apple juice concentrate, the Group has pursued further progress in the businesses of pear juice concentrate, fruit residue, other fruit juices and retail drinks. With approval of the Board, the Group has established a joint venture with its wholly owned US subsidiary for the production and sales of pectin. The plan will be implemented as scheduled. The pear juice concentrate production line will commence production at the beginning of the pressing season this year as planned. Moreover, cooperation with a reputable beverage manufacturer for OEM canned retail drink productions will soon be implemented as planned.

In respect of comprehensive use of fruit residue, the Group will also make an investment of approximately RMB10,000,000 in each of Longkou Andre, Xuzhou Andre and Baishui Andre in accordance with its plan to build three production lines for processing of feedstuff at the beginning of the pressing season. By this project of comprehensive use of wastage, the Group can generate a quick return with a small amount of investment. Meanwhile, the project will also make a firm foundation for production of pectin.

Research and Development

With the completion of the Andre research and development center at the beginning of pressing season, the Group's research and development capability will be substantially enhanced, leading to further reduction in production cost and upgrading of the Group's product quality.

The Group will devote further efforts in the research and development of the following technologies:

1. Research in the technology for extracting pectin from apple residue and the industrialization of such technology.
2. Research in controlling foaming in the fresh juice pressing process.
3. Further advancement in the permeability rate of ultrafiltration to 20%.

The above three technologies will substantially reduce the cost of production, improve the economic efficiency and social benefit.

COMPARISON OF BUSINESS OBJECTIVE PLANS WITH ACTUAL BUSINESS PROGRESS

The Company was successfully listed on the GEM on 22 April 2003. The business objectives of the Company for the period from 1 January 2004 to 30 June 2004 have been set out in the Company's prospectus. Set out below is the actual progress in the implementation of the Company's business objectives during the period from 1 January 2004 to 30 June 2004.

Business objectives for the six months ended 30 June 2004 as mentioned in the Prospectus

The actual progress for the six months ended 30 June 2004

Expansion of sales and distribution network

1. seek suitable distribution agents, strategies alliances and set up representative office for distribution of the Group's products in Italy

In light of the current conditions in the market demand and supply and the marketing strategy of the Company, the Company considers such business objective is unnecessary to be pursued for the time being

2. to market the Group's products via advertisements, newspaper and journals in all representative offices

In light of the current conditions in the market demand and supply and the marketing strategy of the Company, the Company considers such business objective is unnecessary to be pursued for the time being

Modification of production facilities

1. Conduct feasibility study on the latest market development on apple residue and fruit essence

Completed

USE OF PROCEEDS

The listing proceeds of HK\$119,780,000 (after deducting the relevant listing expenses), had been used up by 31 December 2003. In this light, no part of the listing proceeds was left for the first half of 2004.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2004, the Group had a total of 272 employees. The Group's employment and remuneration policies remained unchanged with those described in the Prospectus of the Company. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis with general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, is also provided to employees.

DIVIDEND

The Board has proposed a final dividend of RMB0.023 per Share for the year ended 31 December 2003. The proposal to declare and pay this final dividend was passed at the annual general meeting held on 15 May 2004.

The Board proposed not to distribute interim dividend for the period ended 30 June 2004.

SIGNIFICANT INVESTMENT

There were no significant investments made by the Group during the six months ended 30 June 2004.

MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions or disposals of subsidiaries and associated companies has been made by the Group during the six months ended 30 June 2004.

CONTINGENT LIABILITIES

As at 30 June 2004, the Directors are not aware of any material contingent liabilities.

CHARGE ON ASSETS

Other than the Group's property, plant and equipment, which had been pledged to banks for the issuance of bank loans amounted to RMB20,000,000, as at 30 June 2004, the Group did not have any charge on its assets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated financial resources, proceeds from the placing of shares in April 2003 by the Company and loans from banks. As at 30 June 2004, the Group had outstanding bank loans amounted to approximately RMB408,327,000 which is borrowed at fixed interest rates ranging from 2.50% to 5.84%.

As at 30 June 2004, the Group had a net cash and cash equivalent position of approximately RMB57,464,000. The Group's gearing ratio at 30 June 2004 was 0.58 (31 December 2003: 0.59) which is calculated based on the Group's total liabilities of approximately RMB492,584,000 (31 December 2003: RMB497,483,000,) and total equity, minority interests and liabilities of approximately RMB855,846,000 (31 December 2003: RMB835,503,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

Placing of shares

At 28 June 2004, the Company entered into a placing agreement with Deutsche Bank Aktiengesellschaft, Hong Kong Branch and Guotai Junan Capital Limited, the joint lead managers in relation to the placing on a fully-underwritten basis of 178,500,000 new H Shares of HKD0.80 per H share. The placing shares represent approximately 10.5% of the existing issued share capital as enlarged by the issue of the placing shares. The placing of the shares of the Company was completed on 14 July 2004. The Placing Shares are traded on the GEM.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is substantially denominated in US dollars. It is the practice of the Group to convert its operating revenue denominated in US dollars to RMB for financing its operating expenses and capital requirements. The official rate for US dollars and RMB has generally been stable, however, the results of operations and the financial position of the Group may be affected by the changes in the exchange rates.

On the other hand, the conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2004, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' AND SUPERVISORS' 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 30 June 2004.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND SHORT POSITIONS

As at 30 June 2004, the interests and short positions of the Directors and supervisors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)), if any, (a) as recorded in the register required to be kept under section 352 of the SFO or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 of the GEM Listing Rules, are set out below:

Name of Directors	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Promoter Domestic Shares	Percentage in total share capital
Zheng Yue Wen	Promoter Domestic Shares	603,564,000 (L)	Interest of controlled corporation	Personal	73.61%	39.74%
Wang An	Promoter Domestic Shares	199,290,000 (L)	Interest of controlled corporation	Personal	24.31%	13.12%

Note: The letter “L” stands for long position

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND SHORT POSITIONS

As far as the Directors are aware, as at 30 June 2004, the interests or short positions of every person, other than the Directors and Supervisors, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Substantial shareholders

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Promoter Domestic Shares/ Promoter Foreign Shares/H Shares	Percentage in total share capital
Zheng Yue Wen	Promoter Domestic Shares	603,564,000 (L)	Interest of controlled corporation (controlling of 43% interest of such corporation)	Personal	73.61%	39.74%

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Promoter	
					Domestic Shares/ Promoter Foreign Shares/H Shares	Percentage in total share capital
北京瑞澤網絡銷售 有限責任公司 Beijing RAJ Network Sales Co., Ltd.*	Promoter	56,940,000 (L)	Beneficial owner	Corporate	6.94%	3.75%
	Domestic Shares	546,624,000 (L)	Interest of controlled corporation (controlling of 80% interest of such corporation)	Corporate	66.67%	35.99%
北京亞太世紀科技 發展有限責任公司 Beijing Asia Pacific Century Technology Development Limited Liability Company*	Promoter	546,624,000 (L)	Interest of controlled corporation (controlling of 79% interest of such corporation)	Corporate	66.67%	35.99%
	Domestic Shares					
光彩事業國土綠化 整理有限公司 Glory Cause Land Afforestation Co., Ltd.*	Promoter	546,624,000 (L)	Beneficial owner	Corporate	66.67%	35.99%
	Domestic Shares					
Oh Jeong Taek	Promoter	284,700,000 (L)	Interest of controlled corporation (controlling of 55% interest of such corporation)	Personal	89.29%	18.75%
	Foreign Shares					
Korea Jeong Soo Andre Co., Ltd.*	Promoter	284,700,000 (L)	Beneficial owner	Corporate	89.29%	18.75%
	Foreign Shares					
Wang An	Promoter	199,290,000 (L)	Interest of controlled corporation (controlling of 66.72% interest of such corporation)	Personal	24.31%	13.12%
	Domestic Shares					

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Promoter	
					Domestic Shares/ Promoter Foreign Shares/H Shares	Percentage in total share capital
煙台東華果業有限公司 Yantai Donghua Fruit Co., Ltd.*	Promoter Domestic Shares	199,290,000 (L)	Beneficial owner	Corporate	24.31%	13.12%
Yung Ka Hee Titus	Promoter Foreign Shares	34,164,000 (L)	Beneficial owner	Personal	10.71%	2.25%
Deutsche Bank Aktiengesellschaft	H Shares	178,500,000 (L)	Interest jointly held with Guotai Junan Securities Limited	Corporate	46.97%	11.75%
Guotai Junan Securities Limited	H Shares	178,500,000 (L)	Interest jointly held with Deutsche Bank Aktiengesellschaft (Note 1)	Corporate	46.97%	11.75%
Martin Currie China Hedge Fund Limited	H Shares	55,010,000 (L)	Investment manager	Corporate	14.48%	3.62%
UBS AG	H Shares	55,010,000 (L)	Having a security interest in shares	Corporate	14.48%	3.62%
J.P. Morgan Chase & Co.	H Shares	42,615,000 (L), including 550,000 (P) (Note 2)	Interest of controlled corporation (Note 3)	Corporate	11.21%	2.81%
The Capital Group Companies, Inc.	H Shares	17,075,000(L)	Investment Manager	Corporate	4.49%	1.12%

Notes:

- As at 30 June 2004, Guotai Junan Securities Limited was deemed to be interested with Deutsche Bank Aktiengesellschaft in the 178,500,000 H Shares in the long position of the Company through Guotai Junan Securities (Hong Kong) Limited, a wholly-owned corporation controlled by Guotai Junan Securities Limited.
- The total number of H Shares held included interest in 550,000 H Shares (representing approximately 0.14% of the Company's total H Shares issued as at 30 June 2004) held by J.P. Morgan Chase Bank in a lending pool.

3. As at 30 June 2004, J.P. Morgan Chase & Co. was deemed to be interested in 11.21% of the Company's total H Shares issued at that time or 2.81% of the Company's total issued share capital at that time through the following companies:
- (a) 550,000 H Shares (representing approximately 0.14% of the Company's total issued H Shares at that time) in a long position held by J.P. Morgan Chase Bank, a wholly-owned corporation controlled by J.P. Morgan Chase & Co.
 - (b) 41,115,000 H Shares (representing approximately 10.82% of the Company's total issued H Shares at that time) in a long position held by JF Asset Management Limited, an indirectly-owned corporation controlled by J.P. Morgan Chase & Co., which was interested in 99.99% of JF Asset Management Limited.
 - (c) 950,000 H Shares (representing approximately 0.25% of the Company's total issued H Shares at that time) in a long position held by JF International Management Inc., an indirect wholly-owned corporation controlled by J.P. Morgan Chase & Co.
4. The letter "L" denotes a long position. The letter "P" denotes interest in a lending pool.

* For identification purpose only

Other persons

Name	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in	
					Domestic Shares/ Promoter Foreign Shares/ H Shares	Percentage in total share capital
Yi Jiang Yen (易江燕) (Note 1)	Promoter Domestic Shares	603,564,000(L)	Interest of being a shareholder's spouse	Personal	73.61%	39.74%
Zhang Xue Feng (張雪鳳) (Note 2)	Promoter Domestic Shares	199,290,000(L)	Interest of being a shareholder's spouse	Personal	24.31%	13.12%
Hu Feng Yu (胡佩玉) (Note 3)	Promoter Foreign Shares	284,700,000(L)	Interest of being a shareholder's spouse	Personal	89.29%	18.75%

Notes:

1. Yi Jiang Yen (易江燕), the wife of Zheng Yue Wen, is not a shareholder of the Company. However, she is deemed to be interested in the 603,564,000 Promoter domestic shares of the Company (under Part XV of the SFO).
2. Zhang Xue Feng (張雪鳳), the wife of Wang An, is not a shareholder of the Company. However, she is deemed to be interested in the 199,290,000 Promoter domestic shares of the Company (under Part XV of the SFO).
3. Hu Feng Yu (胡佩玉), the wife of Oh Jeong Taek, is not a shareholder of the Company. However, she is deemed to be interested in the 284,700,000 Promoter domestic shares of the Company (under Part XV of the SFO).
4. The letter “L” denotes a long position.

Save as disclosed above, as at 30 June 2004, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept under Section 336 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 30 June 2004.

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 or has or may have any other conflicts of interest with the Group.

PRACTICES AND PROCEDURES OF THE BOARD

The Directors considered that the Company has complied with the requirement of the Board's practices and procedures of Rules 5.34 to 5.45 of the GEM Listing Rules during the period of six months ended 30 June 2004.

The Company has also adopted Rules 5.48 to 5.67 as the code of conduct regarding Directors' securities transactions.

The Company has appointed an adequate number of independent non-executive Directors. There were three independent non-executive Directors out of a total of 10 directors as at 30 June 2004.

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 primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control of the Group in compliance with Rule 5.30 the GEM Listing Rules. The audit committee comprised three independent non-executive Directors, namely Wu Jian Hui, who is the Chairman of such committee, Hu Xiao Song and Yu Shou Neng.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report for the six months ended 30 June 2004, with the Directors.

By Order of the Board
Zheng Yue Wen
Chairman

Hong Kong, 11 August 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. Hu Xiao Song (*Independent non-executive Director*)
Mr. Wu Jian Hui (*Independent non-executive Director*)
Ms. Yu Shou Neng (*Independent non-executive Director*)