



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)



Third Quarterly Report

For the nine months ended 30 September 2004

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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.



煙台北方安德利果汁股份有限公司

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QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2004, with the comparatives of the corresponding periods in 2003, as follows:

Consolidated Income Statement

	Note	Unaudited		Unaudited	
		For the three months		For the nine months	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	75,055	77,298	385,214	234,257
Cost of sales		(48,028)	(49,112)	(244,071)	(140,246)
Gross Profit		27,027	28,186	141,143	94,011
Other operating income		14,960	1,277	23,425	1,392
Distribution expenses		(15,026)	(12,638)	(60,135)	(36,841)
General and administration expenses		(5,883)	(4,772)	(14,088)	(9,447)
Other operating expenses		(6,568)	(20)	(6,631)	(89)
Profit from operations		14,510	12,033	83,714	49,026
Net finance costs		(4,534)	(2,456)	(14,411)	(7,557)
Profit before taxation		9,976	9,577	69,303	41,469
Taxation	3	(474)	(253)	(3,627)	(1,090)
Profit after taxation		9,502	9,324	65,676	40,379
Minority interests		—	—	—	285
Profit attributable to shareholders		9,502	9,324	65,676	40,664
Dividends	4	—	34,932	—	34,932
Basic earnings per share	5	RMB0.006	RMB0.006	RMB0.04	RMB0.03

* 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 2004 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 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 nine months ended 30 September 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 preparation of 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 juice concentrate. 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 nine months of 2004, the Board expects that the Company 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 also subject to PRC income tax, before any relief or concession, at a rate 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 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 does not recommend the payment of an interim dividend for the nine months ended 30 September 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 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 nine months ended 30 September 2004, the calculation of earnings per share is based on the unaudited profit attributable to shareholders of RMB9,502,000 and RMB65,676,000, respectively (for the three months and nine months ended 30 September 2003, the unaudited profit attributable to shareholders is RMB9,324,000 and RMB40,664,000, 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 nine months ended 30 September 2004, the weighted average number of shares in issue is 1,672,077,174 and 1,570,265,328, respectively (For the three months and the nine months ended 30 September 2003, the weighted average number of shares in issue is 1,518,800,000 and 1,371,254,212, respectively).

(b) Diluted earnings per share

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

6. Capital and reserves

	Paid-in capital	Capital surplus	Share premium	Statutory reserves	Retained earnings	Total capital and reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2004	151,880	10	89,071	33,037	68,022	342,020
Issuance of shares	17,850	–	123,535	–	–	141,385
Net profit for the period	–	–	–	–	65,676	65,676
Dividends	–	–	–	–	(34,932)	(34,932)
Balance as at 30 September 2004	<u>169,730</u>	<u>10</u>	<u>212,606</u>	<u>33,037</u>	<u>98,766</u>	<u>514,149</u>
Balance as at 1 January 2003	113,880	10	–	14,443	47,092	175,425
Issuance of shares	38,000	–	89,071	–	–	127,071
Net profit for the period	–	–	–	–	40,664	40,664
Dividends	–	–	–	–	(34,932)	(34,932)
Balance as at 30 September 2003	<u>151,880</u>	<u>10</u>	<u>89,071</u>	<u>14,443</u>	<u>52,824</u>	<u>308,228</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance

For the nine months ended 30 September 2004, the turnover of the Group increased to approximately RMB385,214,000, compared to approximately RMB234,257,000 for the corresponding period in 2003, representing an increase by approximately 64%. The Group's turnover for the nine months ended 30 September 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 three quarters 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 demand from its customers during 2004.

For the nine months ended 30 September 2004, the Group's net profit increased to approximately RMB65,676,000, as compared to approximately RMB40,664,000 for the corresponding period in 2003.

For the nine months ended 30 September 2004, the Group's other operating income increased to approximately RMB23,425,000, as compared to approximately RMB1,392,000 for the corresponding period in 2003. The increase in other operating income was mainly due to the increase in grants from government.

For the nine months ended 30 September 2004, the Group had incurred distribution expenses of approximately RMB60,135,000, as compared to approximately RMB36,841,000 for the corresponding period in 2003, representing an increase of approximately RMB23,294,000. Distribution expenses of the Group mainly comprised transportation expenses, export inspection fee and promotion expenses. Besides the factor of increased prices, the increase in distribution expenses was mainly attributable to the increase of sea freight charges resulted from the higher sales volume.

For the nine months ended 30 September 2004, the Group had incurred general and administration expenses of approximately RMB14,088,000, as compared to approximately RMB9,447,000 for the corresponding period in 2003, representing an increase of approximately 49%. This increase was mainly attributable to the increase in expenses and production volume by Xuzhou Andre Juice Co., Ltd. (owned as to 75% by the Company and 25% by Andre Juice Co., Ltd. (a wholly-owned subsidiary of the Company)), which commenced operations in August 2003.

Business review

In respect of the enhancement of productivity, the Group constructed a new production line for pear juice in its Yantai headquarter and upgraded the existing production lines as scheduled in order to reach a production capacity of 150,000 tonnes of processed juice concentrate for each pressing season.

As for the processing of fruit residue, the Group built three production lines in each of Yantai Longkou Andre Juice Co., Ltd., Xuzhou Andre Juice Co., Ltd. and Baishui Andre Juice Co., Ltd. for the processing of fruit residue as feedstuff at the beginning of the pressing season as scheduled, which at the same time will set a firm foundation for the production of pectin.

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 to achieve higher growth. The Group will put further efforts in productivity enhancement, product diversification, sale expansion and market diversification, as follows:

Collaborating with Internationally Renowned Enterprises

By introducing 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*) as a shareholder of the Company and by introducing Mitsui & Co., Ltd. as an investor in 烟台龍口安德利果汁飲料有限公司 (Yantai Longkou Andre Juice Co., Ltd.*), the Directors believe such arrangements will help improve the corporate governance, enhance product quality, accelerate product diversification, and expand market and market share of the Group.

Productivity Enhancement

To satisfy the continuously surging demand for juice concentrate within and outside of the PRC, the Group wishes to achieve the target of 250,000 tonnes annual production capacity of juice concentrate and strengthen its leading position in the industry by possible means of 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 overseas market, not only will the Group strengthen its US market and the developed European market, it will also actively liaise with different customers with a view to achieving further breakthroughs in the European and Japanese markets. Meanwhile, the Group will actively expand its business in the domestic PRC market.

Product Diversification

Other than apple juice concentrate, pear juice concentrate and apple essence, the Group is pursuing further progress in the businesses of fruit residue, other fruit species and retail drinks. With the approval of the Board, the Group has established a joint venture with its wholly-owned US subsidiary for the production and sales of pectin. Such plan will be implemented as scheduled. Moreover, cooperation with another beverage manufacturer for OEM production of retail canned drinks will soon be implemented as planned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2004, neither the Company nor any of 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 any of their 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 2004.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND SHORT POSITIONS

As at 30 September 2004, the interests and short positions of the Directors and supervisors in the shares, underlying shares and debentures of the Company and 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 Shares	Percentage in total share capital
Zheng Yue Wen	Promoter Shares	603,564,000 (L)	Interest of controlled corporation	Personal	53.00%	35.56%
Wang An (Note 1)	Promoter Shares	199,290,000 (L)	Interest of controlled corporation	Personal	17.50%	11.74%
		284,700,000 (L)	Interest of controlled corporation	Personal	25.00%	16.77%

Note:

- (1) On 6 September 2004, Donghua Fruit Industry Co., Ltd., the shareholding of which is owned as to 90% by Wang An, entered into a conditional sale and purchase agreement with Korea Jeong Soo Andre Co., Ltd.*, the shareholding of which is owned as to 55% by Oh Jeong Taek. Pursuant to the conditional sale and purchase agreement, Korea Jeong Soo Andre Co., Ltd. agreed to sell its beneficially-owned 284,700,000 promoter shares of the Company to Donghua Fruit Industry Co., Ltd..

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

As far as the Directors are aware, as at 30 September 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 Shares/ H Shares	Percentage in total share capital
Zheng Yue Wen	Promoter Shares	603,564,000 (L)	Interest of controlled corporation (controlling of 43% interest of such corporation)	Personal	53.00%	35.56%
北京瑞澤網絡銷售 有限責任公司	Promoter Shares	12,090,000 (L)	Beneficial Owner	Corporate	1.06%	0.71%
Beijing RAJ Network Sales Co., Ltd.* (Note 1)		44,850,000 (L) 546,624,000 (L)	Other Interest of controlled corporation (controlling of 80% interest of such corporation)	Corporate	3.94% 48.00%	2.64% 32.21%
北京亞太世紀科技 發展有限責任公司	Promoter Shares	546,624,000 (L)	Interest of controlled corporation (controlling of 79% interest of such corporation)	Corporate	48.00%	32.21%
Beijing Asia Pacific Century Technology Development Limited Liability Company*						
光彩事業國土綠化 整理有限公司	Promoter Shares	546,624,000 (L)	Beneficial owner	Corporate	48.00%	32.21%
Glory Cause Land Afforestation Co., Ltd.*						

* For identification purpose only

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in	
					Promoter Shares/H Shares	Percentage in total share capital
Wang An (Note 2)	Promoter Shares	199,290,000 (L)	Interest of controlled corporation (controlling of 66.72% interest of such corporation)	Personal	17.50%	11.74%
		284,700,000 (L)	Interest of controlled corporation (controlling of 90% interest of such corporation)	Personal	25.00%	16.77%
烟台東華果業有限公司 Yantai Donghua Fruit Co., Ltd.* (Note 3)	Promoter Shares	176,526,730 (L)	Beneficial owner	Corporate	15.50%	10.40%
		22,763,270 (L)	Other	Corporate	2.00%	1.34%
Donghua Fruit Industry Co., Ltd. (Note 2)	Promoter Shares	284,700,000 (L)	Beneficial Owner	Corporate	25.00%	16.77%
Oh Jeong Taek (Note 2)	Promoter Shares	284,700,000 (L)	Interest of controlled corporation (controlling of 55% interest of such corporation)	Personal	25.00%	16.77%
Korea Jeong Soo Andre Co., Ltd.* (Note 2)	Promoter Shares	284,700,000 (L)	Beneficial Owner	Corporate	25.00%	16.77%
Martin Currie China Hedge Fund Limited	H Shares	38,015,000 (L)	Investment manager	Corporate	6.81%	2.24%
UBS AG	H Shares	39,535,000 (L)	Having a security interest in shares	Corporate	7.08%	2.33%
Martin Currie Investment Management Limited	H Shares	53,050,000 (L)	Investment manager	Corporate	9.50%	3.13%

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Notes:

- (1) 北京瑞澤網絡銷售有限責任公司 (Beijing RAJ Network Sales Co., Ltd.*) entered into a conditional sale and purchase agreement on 6 September 2004, pursuant to which it agreed to sell its beneficially-owned 44,850,000 promoter shares of the Company, to 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*).
- (2) Korea Jeong Soo Andre Co., Ltd.*, the shareholding of which is owned as to 55% by Oh Jeong Taek, entered into a conditional sale and purchase agreement on 6 September 2004, with Donghua Fruit Industry Co., Ltd., the shareholding of which is owned as to 90% by Wang An. Pursuant to the conditional sale and purchase agreement, Korea Jeong Soo Andre Co., Ltd. agreed to sell its beneficially-owned 284,700,000 promoter shares of the Company to Donghua Fruit Industry Co., Ltd..
- (3) 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.*) entered into a conditional sale and purchase agreement on 6 September 2004, pursuant to which it agreed to sell its beneficially-owned 22,763,270 promoter shares of the Company to 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*).
- (4) 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.*) entered into a conditional sale and purchase agreement on 6 September 2004, pursuant to which it agreed to purchase from each of 北京瑞澤網絡銷售有限責任公司 (Beijing RAJ Network Sales Co., Ltd.*), 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.*) and 烟台市昆嵛山林果有限公司 (Kunyushan Fruit Co., Ltd.*) 44,850,000, 22,763,270, and 17,082,000 promoter shares of the Company, which in aggregate amounted to 84,695,270 promoter shares of the Company and represented 7.44% of the total number of promoter shares of the Company and 4.99% of the total share capital of the Company.
- (5) 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 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 September 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 nine months ended 30 September 2004.

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

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 comprises 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 third quarterly results report for the nine months ended 30 September 2004, with the Directors.

By Order of the Board
Zheng Yue Wen
Chairman

Hong Kong, 12 November 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*)