



**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 2005**

## **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.*

\* For identification purpose only



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**QUARTERLY RESULTS (UNAUDITED)**

The board of Directors (the “Board”) 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 ended 31 March 2005, with the comparatives of the corresponding period in 2004, as follows:

**Consolidated Income Statement**

		<b>Unaudited</b>	
		<b>For the three months</b>	
		<b>ended 31 March</b>	
		<b>2005</b>	2004
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Turnover</b>	2	<b>158,684</b>	136,408
Cost of sales		<b>(94,889)</b>	(81,142)
<b>Gross Profit</b>		<b>63,795</b>	55,266
Other operating income		<b>3,554</b>	2,868
Distribution expenses		<b>(18,747)</b>	(17,988)
General and administration expenses		<b>(5,094)</b>	(3,816)
<b>Profit from operations</b>		<b>43,508</b>	36,330
Net finance costs		<b>(4,648)</b>	(4,331)
<b>Profit from ordinary activities before taxation</b>		<b>38,860</b>	31,999
Taxation	3	<b>(4,770)</b>	(1,930)
<b>Profit from ordinary activities after taxation</b>		<b>34,090</b>	30,069
Minority interests		<b>(268)</b>	—
<b>Profit attributable to shareholders</b>		<b>33,822</b>	30,069
Dividends	4	—	—
Basic earnings per share	5	<b>RMB0.02</b>	RMB0.02

\* 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 three months ended 31 March 2005 conform with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board. IFRS include International Accounting Standards (“IAS”) and Interpretations. These unaudited consolidated results for the three months ended 31 March 2005 also comply with the applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange.

The unaudited consolidated results for the three months ended 31 March 2005 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 2004.

**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 three months of 2005, the Board expects that the Company will meet the requirements and be entitled to 50% relief on its PRC income tax for 2005. 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 their first profit-making year, and are 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 three months ended 31 March 2005 (2004: Nil).

## 5. Earnings per share

### (a) Basic earnings per share

For the three months ended 31 March 2005, the calculation of earnings per share is based on the unaudited profit attributable to shareholders of approximately RMB33,822,000 (for the three months ended 31 March 2004, the unaudited profit attributable to shareholders was approximately RMB30,069,000), and the weighted average number of shares in issue during the respective period. For the three months ended 31 March 2005, the weighted average number of shares in issue was 1,697,300,000 (for the three months ended 31 March 2004, the weighted average number of shares in issue was 1,518,800,000).

### (b) Diluted earnings per share

Diluted earnings per share has not been calculated for the three months ended 31 March 2005 and 2004 as there were no dilutive potential ordinary shares outstanding during these periods.

## 6. Capital and reserves

There has been no movement of capital and reserves, other than retained earnings, during the three months ended 31 March 2005 and 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the three months ended 31 March 2005, the turnover of the Group increased to approximately RMB158,684,000, compared to approximately RMB136,408,000 for the corresponding period in 2004, representing an increase by approximately 16%. The increase in turnover was mainly attributable to the increase in selling price and sales volume. The Group's turnover for the three months ended 31 March 2005 was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products.

As compared with the same period in 2004, the increase in the Group's turnover during the first quarter of 2005 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 has resulted in an increase in demand from its customers during 2005.

For the three months ended 31 March 2005, the Group's net profit increased to approximately RMB33,822,000, as compared to approximately RMB30,069,000 for the corresponding period in 2004.

For the three months ended 31 March 2005, the Group's other operating income increased to approximately RMB3,554,000, as compared to approximately RMB2,868,000 for the corresponding period in 2004. The increase in other operating income was mainly due to the increase in grants from government.

For the three months ended 31 March 2005, the Group had incurred distribution expenses of approximately RMB18,747,000, as compared to approximately RMB17,988,000 for the corresponding period in 2004, representing an increase of approximately RMB759,000. Distribution expenses of the Group mainly comprised transportation expenses, export inspection fee and promotion expenses. The increase in distribution expenses was mainly attributable to the increase of sea freight charges resulted from the higher sales volume.

For the three months ended 31 March 2005, the Group had incurred general and administration expenses of approximately RMB5,094,000, as compared to approximately RMB3,816,000 for the corresponding period in 2004, representing an increase of approximately 33%. Such increase was mainly attributable to the expansion of production scale which led to the increase in general administration expenses, such as related storage charges, land transportation expenses and related administration expenses.

### **Business review**

On 3 March 2005, through additional capital injection and equity transfer in the Group's pectin production business, the Group has successfully introduced two strategic investors, namely Bytatron Limited and Richride Investments Limited. The Directors believe that, by the introduction of these strategic investors, the production and sales of pectin can be further enhanced.

### **Future prospects**

In 2005, with the gradual implementation of specific measures on agricultural industry, which is focused on the China government's macro economy policies, the Company will have more development opportunities. Aiming at enlarging its business scale, the Group will strive to enhance productivity, to diversify products, to expand sales, to disperse markets and to develop financing channels, etc. Relevant plans are summarized as follows:

#### *Cooperation with International Renowned Enterprise*

Through transferring part of the Company's equity interest to 成都統一企業食品有限公司 (Chengdu President Enterprise Food Co., Ltd.) and part of the equity interests in Yantai Longkou Andre Juice Co., Ltd. ("Longkou Andre") to Mitsui & Co., Ltd., the Company is expected to benefit from improved corporate governance structure, enhanced research and development capability, upgraded product quality, diversified product mix, expanded market places and increased market share.

### *Uplifting of Production Capacity*

To meet the growing demand for juice concentrate both in local and overseas markets, the Group is constructing a new production line in 陕西省咸阳市 (Xianyang City, Shaanxi Province, the PRC) with an expected production capacity of approximately 30,000 tonnes juice concentrate per pressing season, bringing the annual production capacity of the Group's self-constructed production lines to reach approximately 180,000 tonnes of juice concentrate. In addition, the Group is altering the strategic location of existing juice concentrate production lines by moving one of Longkou Andre's production lines to Dalian to increase the production capacity of high-acidity apple juice concentrate. The purpose is to rationalise the strategic distribution of the existing production lines, thereby increasing the overall production efficiency and adjusting the relative output proportion of apple juice concentrate with high, medium and low acidity. The Group will also seek opportunities such as mergers and acquisitions to boost its annual production capacity of juice concentrate to approximately 250,000 tonnes, thereby strengthening the Group's leading position in the industry.

### *Expansion of Markets and Increase in Marketing Activities*

While strengthening its position in the existing markets, the Group will at the same time focus on market diversification. In respect of the overseas market, apart from strengthening its US market and the developed European market and Japanese market, the Group is actively liaising with its various customers and intend to set up sales office in Canada with a view to achieve further breakthroughs in the European, North American, Asian and even Australian markets. At the same time, the Group will actively promote its products in the domestic PRC market.

### *Product Diversification*

Other than apple juice concentrate, pear juice concentrate, apple essence and feedstuff, the Group will endeavour to bring significant breakthroughs in the use of pomace, other fruit juice types and retail drinks. With the approval of the Board, the cooperation with renowned beverage manufacturer to produce OEM package of retail drinks will be implemented as soon as possible.

### *Production of Pectin*

Through the contribution of capital, technical expertise in pectin manufacturing, marketing, promotion and product application by two strategic investors, namely Bytetron Limited and Richride Investments Limited, the Directors believe that the development of pectin business of the Group can be facilitated and the competitiveness of the Group in the global marketplace can be advanced.

### *Development of Financing Channels*

The Company will actively pursue opportunities to cooperate with other international financial institutions so that the Company can develop financing channels and diversify funding varieties, especially long-term funding in foreign currency. The Company can thereby reduce its finance cost, improve its capital structure, enhance its risk hedging ability, and at the same time facilitate better business development.

### *Research and Development*

The Group will devote further effort to continue the research in the technology for extracting pectin from pomace and the industrialization of such technology, and endeavour to make significant breakthrough in the production technology of pectin.

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

During the three months ended 31 March 2005, 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 of the Company (the "Supervisors") 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 31 March 2005.

### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHORT POSITIONS**

As at 31 March 2005, the interests and short positions of the Directors, the Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:



## Long positions in the Shares

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 (Note 1)	Promoter Shares	558,714,000 (L)	Interest of controlled corporation	Personal	49.06%	32.92%
Wang An (Note 2)	Promoter Shares	176,526,730 (L)	Interest of controlled corporation	Personal	15.50%	10.40%

### Notes:

- (1) As at 31 March 2005, Zheng Yue Wen was taken to be interested in the 558,714,000 Promoter Shares through its controlled corporations. Out of the 558,714,000 Promoter Shares, 光彩事業國土綠化整理有限公司 (Glory Cause Land Afforestation Co., Ltd.\*) was having a direct interest of 546,624,000 Promoter Shares whereas 北京瑞澤網絡銷售有限責任公司 (Beijing RAJ Network Sales Co., Ltd.\*) was having a direct interest of 12,090,000 Promoter Shares. As at 31 March 2005, 光彩事業國土綠化整理有限公司 (Glory Cause Land Afforestation Co., Ltd.\*), which was controlled (as to 79%) by 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\*) which in turn was controlled (as to 80%) by 北京瑞澤網絡銷售有限責任公司 (Beijing RAJ Network Sales Co., Ltd.\*). As at 31 March 2005, Zheng Yue Wen controlled 43% interest in 北京瑞澤網絡銷售有限責任公司 (Beijing RAJ Network Sales Co., Ltd.\*).
- (2) As at 31 March 2005, 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.\*) was having a direct interest of 176,526,730 Promoter Shares and Wang An controlled 83.36% in 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.\*).
- (3) The information disclosed is based on the information available on the website of the Stock Exchange.
- (4) The letter “L” denotes a long position.

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

As at 31 March 2005, so far as the Directors are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long positions in the shares

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	558,714,000 (L)	Interest of controlled corporation (controlling 43% interest of such corporation)	Personal	49.06%	32.92%
北京瑞澤網絡銷售 有限責任公司 Beijing RAJ Network Sales Co., Ltd.*	Promoter Shares	12,090,000 (L)	Beneficial owner	Corporate	1.06%	0.71%
	Promoter Shares	546,624,000 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Corporate	48.00%	32.21%
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 Shares	546,624,000 (L)	Interest of controlled corporation (controlling of 79% interest of such corporation)	Corporate	48.00%	32.21%
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	48.00%	32.21%

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	Promoter Shares	176,526,730 (L)	Interest of controlled corporation (controlling 66.72% interest of such corporation) (note 1)	Personal	15.50%	10.40%
烟台東華果業有限公司 Yantai Donghua Fruit Co., Ltd.*	Promoter Shares	176,526,730 (L)	Beneficial owner	Corporate	15.50%	10.40%
HSBC International Trustee Limited	Promoter Shares	284,700,000 (L)	Trustee (Note 2)	Corporate	25.00%	16.77%
Prosper United Limited	Promoter Shares	284,700,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.00%	16.77%
ACME Team International Limited	Promoter Shares	284,700,000 (L)	Interest of controlled corporation (controlling 70% interest of such corporation)	Corporate	25.00%	16.77%
Donghua Fruit Industry Co., Ltd.	Promoter Shares	284,700,000 (L)	Beneficial owner	Corporate	25.00%	16.77%
Oh Jeong Taek (Note 3)	Promoter Shares	284,700,000 (L)	Interest of controlled corporation (controlling 55% interest of such corporation)	Personal	25.00%	16.77%
Korea Jeong Soo Andre Co., Ltd.* (Note 3)	Promoter Shares	284,700,000 (L)	Beneficial owner	Corporate	25.00%	16.77%

\* 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
統一企業股份有限公司 Uni-President Enterprises Corp. (Note 4)	Promoter Shares	84,695,270 (L)	Beneficial owner	Corporate	7.44%	4.99%
UBS AG	H Shares	43,870,000 (L)	Having a security interest in shares	Corporate	7.85%	2.58%
Investco Asia Limited in its capacity as manager/ adviser of various accounts	H Shares	28,180,000 (L)	Investment Manager	Corporate	5.05%	1.66%
Martin Currie China Hedge Fund Limited	H Shares	38,015,000 (L)	Investment manager	Corporate	6.81%	2.24%
Martin Currie Investment Management Limited	H Shares	53,050,000 (L)	Investment manager	Corporate	9.50%	3.13%

*Notes:*

- (1) Since 17 March 2005, Wang An's interest in that corporation (i.e. Yantai Donghua Fruit Co., Ltd.\* 烟台東華果業有限公司) has increased to 83.36%.
- (2) The corporate substantial shareholder notice filed by HSBC International Trustee Limited shows that it controls 99.77% of Prosper United Limited.

- (3) 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.. Pursuant to the conditional sale and purchase agreement, Korea Jeong Soo Andre Co., Ltd. agreed to sell its entire beneficially-owned 284,700,000 Promoter Shares to Donghua Fruit Industry Co., Ltd.. As at 31 March 2005, no corporate substantial shareholder notice and individual substantial shareholder notice was filed by Korea Jeong Soo Andre Co., Ltd.\* and Oh Jeong Taek, respectively, indicating that they had ceased to have an interest in at least 5% in the Promoter Shares.
- (4) As at 31 March 2005, the corporate substantial shareholder notice filed by 統一企業股份有限公司 (Uni-President Enterprises Corp.) showed that it was taken to be interested in 84,695,270 Promoter Shares through its wholly-controlled subsidiaries. As at 31 March 2005, the subsidiary having a direct interest in 84,695,270 Promoter Shares was 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.).
- (5) The information disclosed is based on the information available on the website of the Stock Exchange.
- (6) The letter “L” denotes a long position.

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## **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 their respective associates did not have any interest in any securities of the Company or any of its associated corporations as at 31 March 2005.

## **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.

## **CORPORATE GOVERNANCE**

During the three months ended 31 March 2005, the Company has complied with the revised GEM Listing Rules, in particular, the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the three months ended 31 March 2005, the Company had adopted the relevant guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of securities transactions by directors. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the same period.

### **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public 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 5.28 to 5.33 of 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 first quarterly results report for the three months ended 31 March 2005, with the Directors.

By Order of the Board  
**Zheng Yue Wen**  
*Chairman*

Hong Kong, 11 May 2005

As at the date hereof, the Board comprises:

Mr. Zheng Yue Wen (*Executive Director*)  
Mr. Wang An (*Executive Director*)  
Mr. Zhang Hui (*Executive Director*)  
Mr. Yu Hui Lin (*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*)