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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 2005

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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*

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)

HALF-YEAR 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 and six months ended 30 June 2005, with the comparatives of the corresponding periods in 2004, as follows:

Consolidated Income Statement

		Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2005	2004	**2005**	2004
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**151,686**	173,751	**310,370**	310,159
Cost of sales		**(90,124)**	(114,901)	**(185,013)**	(196,043)
Gross Profit		**61,562**	58,850	**125,357**	114,116
Other operating income		**752**	5,597	**4,306**	8,465
Distribution expenses		**(17,184)**	(27,121)	**(35,931)**	(45,109)
Administrative expenses		**(8,552)**	(4,389)	**(13,646)**	(8,205)
Other operating expenses		**(203)**	(63)	**(203)**	(63)
Profit from operations		**36,375**	32,874	**79,883**	69,204
Net finance costs		**(7,969)**	(5,546)	**(12,617)**	(9,877)
Profit before taxation	*4*	**28,406**	27,328	**67,266**	59,327
Income tax	*5*	**(1,001)**	(1,223)	**(5,771)**	(3,153)
Profit for the period		**27,405**	26,105	**61,495**	56,174
Attributable to:					
Equity holders of the parent		**27,619**	26,105	**61,441**	56,174
Minority interests		**(214)**	–	**54**	–
Profit for the period		**27,405**	26,105	**61,495**	56,174
Dividends	*6*	**33,946**	34,932	**33,946**	34,932
Basic earnings per share	7	**RMB0.02**	RMB0.02	**RMB0.04**	RMB0.04

* *For identification purpose only*

Consolidated Balance Sheet

	Note	**Unaudited 30 June 2005** *RMB'000*	Audited 31 December 2004 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**497,538**	468,480
Lease prepayments		**45,871**	25,239
Goodwill		**1,452**	1,452
Total non-current assets		**544,861**	495,171
Current assets			
Inventories		**275,187**	341,905
Trade receivables	*9*	**204,461**	190,515
Other receivables and prepayments		**140,303**	76,839
Cash and cash equivalents		**98,473**	86,545
Total current assets		**718,424**	695,804
Total assets		**1,263,285**	1,190,975
LIABILITIES			
Current liabilities			
Short-term bank loans		**477,912**	457,424
Trade payables	*10*	**42,475**	56,004
Other payables and accrued expenses		**92,372**	124,491
Dividends payable		**17,632**	–
Income tax payable		**5,095**	2,756
Total current liabilities		**635,486**	640,675
Net current assets		**82,938**	55,129
Total assets less current liabilities		**627,799**	550,300
Non-current liabilities			
Other long-term liabilities		**1,874**	1,882
Total non-current liabilities		**1,874**	1,882
Total liabilities		**637,360**	642,557
EQUITY			
Equity attributable to equity holders of the parent			
Paid-in capital	*11*	**169,730**	169,730
Capital surplus		**10**	10
Share premium		**212,606**	212,606
Statutory reserves		**51,867**	51,867
Retained earnings		**133,342**	105,847
Total equity attributable to equity holders of the parent		**567,555**	540,060
Minority interest		**58,370**	8,358
Total equity		**625,925**	548,418
Total equity and liabilities		**1,263,285**	1,190,975

Condensed Consolidated Cash Flow Statement

	Unaudited For the six months ended 30 June 2005 RMB'000	2004 RMB'000
Net cash inflow from operating activities	**141,018**	71,176
Net cash outflow from investing activities	**(161,736)**	(79,442)
Net cash outflow before financing activities	**(20,718)**	(8,266)
Net cash inflow from financing activities	**32,646**	27,302
Net increase in cash and cash equivalents	**11,928**	19,036
Cash and cash equivalents at beginning of the period	**86,545**	38,428
Cash and cash equivalents at end of the period	**98,473**	57,464
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**98,473**	57,464

Consolidated Statement of Changes in Equity – unaudited

	Paid-in capital *RMB'000*	Capital surplus *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Retained earnings *RMB'000*	Total equity attributable to equity holders of the parent *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2005	169,730	10	212,606	51,867	105,847	540,060	8,358	548,418
Net profit for the period	–	–	–	–	61,441	61,441	54	61,495
Dividends to equity holders of the parent	–	–	–	–	(33,946)	(33,946)	–	(33,946)
Capital contributions from minority interests	–	–	–	–	–	–	50,038	50,038
Dividends to minority interests	–	–	–	–	–	–	(80)	(80)
Balance as at 30 June 2005	169,730	10	212,606	51,867	133,342	567,555	58,370	625,925
Balance as at 1 January 2004	151,880	10	89,071	33,037	68,022	342,020	–	342,020
Net profit for the period	–	–	–	–	56,174	56,174	–	56,174
Dividends	–	–	–	–	(34,932)	(34,932)	–	(34,932)
Balance as at 30 June 2004	151,880	10	89,071	33,037	89,264	363,262	–	363,262

Notes:

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

The unaudited consolidated interim financial statements have been in accordance with the requirements of the GEM Listing Rules of the Stock Exchange, including compliance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") adopted by the International Accounting Standard Board ("IASB").

The unaudited consolidated interim financial statements 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, except for the accounting policy changes that are expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2005. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2. **Changes in accounting policies**

The IASB has issued a number of new and revised International Financial Reporting Standards ("IFRS") and International Accounting Standards (collectively referred to as "New IFRS") that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board has determined the accounting policies to be adopted in the preparation of the Group's consolidated financial statements for the year ending 31 December 2005, on the basis of New IFRS currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in the interim financial statements.

(a) Amortisation of positive goodwill (IFRS 3, Business combinations and IAS 36, Impairment of assets)

In prior periods, positive goodwill was systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

With effect from 1 January 2005, in accordance with IFRS 3 and IAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generation unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under IFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005. This has increased the Group's profit after tax for the six months ended 30 June 2005 by RMB89,000.

(b) *Minority interests (IAS 1, Presentation of financial statements and IAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statements as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with IAS 1 and IAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statements as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity for the comparative period has been restated accordingly.

3. 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.

4. 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**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(a) Net finance costs:				
Interest on bank loans repayable within five years	**6,626**	5,188	**12,075**	9,142
Bank charges and others	**1,435**	418	**746**	846
Interest income	**(92)**	(60)	**(204)**	(111)
(b) Other items:				
Amortisation of goodwill	–	49	–	98
Depreciation	**5,602**	1,689	**13,099**	9,836

5. 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 2005, the Board expects that the Company will meet the requirements and be entitled to a 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 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.

6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

Pursuant to a resolution passed at the shareholders' meeting on 17 May 2005, a dividend totaling RMB33,946,000 for 2004 was approved.

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

7. Earnings per share

(a) Basic earnings per share

For the three months and the six months ended 30 June 2005, the calculation of earnings per share is based on the unaudited profit attributable to equity holders of the parent of approximately RMB27,619,000 and RMB61,441,000, respectively, (for the three months and six months ended 30 June 2004, the unaudited profit attributable to equity holders of the parent was approximately RMB26,105,000 and RMB56,174,000, respectively) and the weighted average number of shares in issue during the respective period. For the three months and the six months ended 30 June 2005, the weighted average number of shares in issue was 1,697,300,000. (for the three months and the six months ended 30 June 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 presented for the three months and six months ended 30 June 2005 and 2004 as there were no dilutive potential ordinary shares outstanding during these periods.

8. Property, plant and equipment

During the six months ended 30 June 2005, the Group had additions to property, plant and equipment in the amount of approximately RMB42,157,000 (six months ended 30 June 2004: RMB27,961,000).

9. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2005 *RMB'000*	Audited 31 December 2004 *RMB'000*
Within 3 months	**164,303**	164,709
Over 3 months but less than 6 months	**38,656**	25,806
Over 6 months but less than 1 year	**1,502**	–
Total	**204,461**	190,515

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

10. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2005 *RMB'000*	Audited 31 December 2004 *RMB'000*
Within 6 months	**34,205**	53,803
Over 6 months but less than 1 year	**7,928**	1,486
Over 1 year	**342**	715
Total	**42,475**	56,004

11. Paid-in capital

	Unaudited 30 June 2005 *RMB'000*	Audited 31 December 2004 *RMB'000*
Registered, issued and fully paid:		
1,138,800,000 (2004: 1,138,800,000) Promoter shares of RMB0.10 each (2004: RMB0.10 each)	**113,880**	113,880
558,500,000 (2004: 558,500,000) H shares of RMB0.10 each (2004: RMB0.10 each)	**55,850**	55,850
Total	**169,730**	169,730

12. Commitments

(a) As at 30 June 2005, the Group had capital commitments in respect of property, plant and equipment not provided for in the interim financial statements as follows:

	Unaudited 30 June 2005 *RMB'000*	Audited 31 December 2004 *RMB'000*
Contracted for	**65,118**	–
Authorised but not contracted for	**–**	–
	65,118	–

(b) As at 30 June 2005, the Group had no commitments in respect of capital contributions not provided for in the Group's consolidated financial statements. As at 31 December 2004, the Group had commitments in respect of capital contributions not provided for in the Group's consolidated financial statements as follows:

(i) The Group was committed to contribute RMB30,000,000 and US$1,208,000 in Xianyang Andre Juice, Co., Ltd. as capital contributions.

(ii) The Group was committed to contribute RMB3,104,000 and US$375,000 to Baishui Andre Bio-feedstuff Co., Ltd. as capital contributions.

(iii) The Group was committed to contribute US$1,403,000 to Yantai North Andre Pectin Co., Ltd. as capital contributions.

13. Related party transactions

As at 30 June 2005, a related party of the Group, Creat Group Co., Ltd., provided guarantees for bank loans of the Company amounting to RMB135,175,000 (31 December 2004: RMB100,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Performance

For the six months ended 30 June 2005, the turnover of the Group increased to approximately RMB310,370,000, compared to approximately RMB310,159,000 for the corresponding period in 2004. The Group's turnover for the six months ended 30 June 2005 was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products. Such products have always been in shortage. Taking into account the lower selling price of apple juice concentrate with low acidity, the Company had deliberately increased the inventory level of such. Apple juice concentrate with low acidity can be further processed, together with apple juice concentrate with high acidity produced in the new pressing season, to become apple juice concentrate with medium or high acidity which can be sold at a higher price.

For the six months ended 30 June 2005, the Group's gross profit increased to approximately RMB125,357,000 and the gross profit margin was approximately 40%, as compared to the gross profit of approximately RMB114,116,000 and gross profit margin of approximately 37% for the corresponding period in 2004. The improvement in gross profit and gross profit margin was mainly attributable to the increase in selling price.

For the six months ended 30 June 2005, the Group's net profit (i.e. the profit for the period attributable to equity holders of the parent) increased to approximately RMB61,441,000, as compared to approximately RMB56,174,000 for the corresponding period in 2004.

Other operating income

For the six months ended 30 June 2005, the Group's other operating income reduced to approximately RMB4,306,000, as compared to approximately RMB8,465,000 for the corresponding period in 2004. The decrease in other operating income was mainly due to the decrease in the government grants during the period.

Distribution and administrative expenses

For the six months ended 30 June 2005, the Group had incurred distribution expenses of approximately RMB35,931,000, as compared to approximately RMB45,109,000 for the corresponding period in 2004, representing a decrease of approximately RMB9,178,000, which was mainly attributable to the decrease of sea freight charges (being one of the distribution expenses).

For the six months ended 30 June 2005, the Group had incurred administrative expenses of approximately RMB13,646,000, as compared to approximately RMB8,205,000 for the corresponding period in 2004, representing an increase of approximately RMB5,441,000. Such increase was mainly attributable to the expansion of production scale which led to the increase in general administrative expenses, such as related storage charges, land transportation expenses and related management expenses. Moreover, the preliminary expenses for the establishment of two new companies, namely Xianyang Andre Juice Co., Ltd. and Dalian Andre Juice Co., Ltd., had resulted in an increase in the administrative expenses in the period.

Business review

Market expansion

With years of continuous effort, the Group has expanded its sales network to 18 countries and areas, namely, the US, Canada, Russia, Japan, Australia, Germany, Mexico, Taiwan, New Zealand, Israel, Korea, France, Indonesia, Norway, Poland, New Caledonia, the Netherlands and the PRC.

To further strengthen the European market and to boost sales, the Company entered into an agency agreement with an European company (the "Agent") that principally engaged in liaising manufacturers and buyers of juices, purees, juice concentrates, essences, etc, for the appointment of the Agent to exclusively distribute the Company's juice and related products to certain designated customers of the Agent in Europe.

Product diversification

For the sake of convenience for household consumption, retail-size package of juice concentrate has been launched in the first half of the year. The directors believe that the market potential of retail-size package of juice concentrate is tremendous. Through the sale of retail-size package of juice concentrate, the reputation and sales of the Group's products can be enhanced.

Production of pectin

For the production of pectin, the factory premises located in Yantai is under construction and production equipment is being installed. Besides, on 3 March 2005, through additional capital injection and equity transfer in the pectin production business, the Group had successfully introduced two strategic investors, namely, Bytetron 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.

Research and development

For the six months ended 30 June 2005, the Group has made the following progress in research and development:

1. Industrialization of the ultra-filtration strainer recycling technology.

2. Utilization of special absorptive resin to lower the methamidophos level in fruit juice and the preparation for industrialization of such technology.

3. Cooperation with Shandong Agriculture University as the leading member to undertake the research topic "Critical Processing Technology of Privileged Agricultural Products (Fruit and Vegetables)", which is a subsidiary topic of the major technology development topic of Shandong Province in 2005 "Critical Processing Technology of Privileged Agricultural Products in Shandong Province and the Research and Development of Facilities".

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 陝西省咸陽市 (Xianyang City, Shaanxi Province, the PRC) with an expected production capacity of approximately 30,000 tonnes juice concentrate per pressing season, bringing the expected 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. These two factories will commence operation in the coming pressing season. 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.

Making use of the opportunity arising from the revaluation of RMB

The operating revenue of the Group is substantially denominated in US dollars. In light of the recent revaluation of RMB, the Company has made corresponding adjustments in order to offset the potential negative impacts as a result thereof. Such corresponding adjustments include the increase in selling price, the increase in the proportion of loan denominated in US dollars and the proportion of sea freight expenses denominated in US dollars. The Directors believe that, the revaluation of RMB will eliminate some enterprises with small scale of operation, poor product quality, poor risk-sheltering ability and therefore will accelerate the industry reorganization and will provide a development opportunity for the Company.

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 will 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, retail drinks and retail-size package of juice concentrate. 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. For retail-size package of apple juice concentrate, the Company has signed a letter of intent with Uni-President Enterprises Corp. ("UNI"), an internationally renowned distributor. UNI was appointed as the sole agent of the Company for worldwide distribution and market promotion of retail-size package of apple juice concentrate of the Company.

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. Moreover, the Group will actively develop the technology for utilization of special absorptive resin to lower the methamidophos level in fruit juice and the industrialization of such technology.

COMPARISON OF BUSINESS OBJECTIVE PLANS WITH ACTUAL BUSINESS PROGRESS

The Company was successfully listed on GEM on 22 April 2003 and its business objectives for the period starting from 1 January 2005 to 30 June 2005 have been clearly set out in the prospectus of the Company. The followings were actual progress during the period:

Business objectives for the six months ended 30 June 2005	Actual progress for the six months ended 30 June 2005
Expand Sales and Distribution Network	
Promote the Group's products in all representative offices by means of advertisement and journals.	The Directors believe it is unnecessary for the time being to implement this objective in light of the current market demand and supply situation as well as the Company's sales strategy.
Modification of Production Facilities	
Purchase and install new machineries and equipment for the production of fruit essence and utilization of pomace.	Completed

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2005, the Group had a total of 479 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 RMB0.02 per share for the year ended 31 December 2004. The proposal to declare and pay this final dividend was passed at the annual general meeting held on 17 May 2005.

The Board proposed not to distribute interim dividend for the period ended 30 June 2005.

SIGNIFICANT INVESTMENT

There were no significant investments made by the Group during the six months ended 30 June 2005.

MATERIAL ACQUISITIONS AND DISPOSALS

According to the relevant joint venture agreement and the related supplementary agreements of the Company's subsidiary, Yantai North Andre Pectin Co., Ltd. ("Andre Pectin"), signed on 3 March 2005, the Group had transferred US$4,000,000 equity interests in Andre Pectin to an independent third party, Richride Investments Limited, at cost and the registered capital of Andre Pectin had increased from US$12,000,000 to US$20,000,000, of which US$7,000,000 and US$5,000,000 were contributed by Bytetron Limited, which is also an independent third party, and Richride Investments Limited, respectively. The Group, Bytetron Limited and Richride Investments Limited currently have 40%, 35% and 25% equity interests in Andre Pectin respectively.

Apart from the above transaction , no material acquisitions or disposals of subsidiaries and associated companies has been made by the Group during the six months ended 30 June 2005.

CONTINGENT LIABILITIES

As at 30 June 2005, 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 secure bank loans of RMB15,000,000 and an unused banking facility of US$15,000,000, the Group did not have any other charge on its assets as at 30 June 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated financial resources and loans from banks. As at 30 June 2005, the Group had outstanding bank loans amounted to approximately RMB477,912,000 which is borrowed at fixed interest rates ranging from 3% to 6.14%.

As at 30 June 2005, the Group had a net cash and cash equivalent position of approximately RMB98,473,000. The Group's gearing ratio at 30 June 2005 was approximately 50% (31 December 2004: approximately 54%) which is calculated based on the Group's total liabilities of approximately RMB637,360,000 (31 December 2004: approximately RMB642,557,000) and total equity and liabilities of approximately RMB1,263,285,000 (31 December 2004: approximately RMB1,190,975,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

LOAN AGREEMENT WITH INTERNATIONAL FINANCE CORPORATION

On 21 April 2005, the Company entered into a loan agreement (the "Loan Agreement") with International Finance Corporation ("IFC"), a unit of the World Bank Group, pursuant to which IFC agreed to provide to the Company a loan facility amounting to US$15,000,000 (approximately HK$117,000,000). Pursuant to the Loan Agreement, the last date of repayment shall be 15 September 2011.

Pursuant to the Loan Agreement, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司), being the controlling shareholder of the Company, Beijing RAJ Network Sales Co., Ltd.* (北京瑞澤網絡銷售有限責任公司), Yantai Donghua Fruit Co., Ltd.* (烟台東華果業有限公司) and Donghua Fruit Industry Co., Ltd. (collectively referred to as the "Sponsors") entered into a share retention agreement (the "Share Retention Agreement") with IFC and the Company. Pursuant to the Share Retention Agreement, the Sponsors shall, as long as any part of the principal of or interest on the loan under or any other sums due under the Loan Agreement remain outstanding and unpaid, retain the legal and beneficial aggregate ownership of not less than 40% in the share capital of the Company. A breach of such an obligation, pursuant to the Loan Agreement, will result in a default which requires an immediate repayment by the Company of the principal amount of the loan from time to time outstanding.

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 in the period under review. However, the results of operations and the financial position of the Group may be affected by any 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.

Taking into account the Group's operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2005, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's shares.

* *For identification purpose only*

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors (the "Supervisors") of the Company or 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 June 2005.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND SHORT POSITIONS

As at 30 June 2005, the interests and short positions of the Directors and the Supervisors 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 of the Company

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 30 June 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 30 June 2005, 光彩事業國土綠化整理有限公司 (Glory Cause Land Afforestation Co., Ltd.*) 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 30 June 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 30 June 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.*).

* *For identification purpose only*

(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 30 June 2005, so far as the Directors are aware, the following persons (other than the Directors and the Supervisors) 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 of the Company

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%

* *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
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%
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%

* *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
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%
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	33,015,000 (L)	Having a security interest in shares	Corporate	5.91%	1.95%
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%

** For identification purpose only*

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 30 June 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 30 June 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 30 June 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.

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.

Neither did Barits nor its directors, employees or its associates have any interest in the securities of the Company or any of its associated corporations as at 30 June 2005 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

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.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The articles of association, terms of reference of audit committee and terms of reference of supervisory committee of the Company form the framework for the code of corporate governance practice of the Company.

The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the principles and code provisions in the "Code on Corporate Governance Practices" of the GEM Listing Rules ("the CG Code"). In certain respects, the code of practices laid down in the Company's corporate governance documents exceeds the code provisions in the CG Code. Comparisons of the major respects in which the Company's code of practice exceeds the code provisions set out in the CG Code and the major deviations are as follows:

The following is the major respect in which the Company's own corporate governance code exceeds the code provisions in the CG Code:

The Company has established a nomination committee in accordance with the recommended best practices of the CG Code.

The following is the major deviation of the Company's own code of corporate governance and actual practices from the code provisions in the CG Code:

The code B.1.1 of the CG Code requires an issuer to establish a remuneration committee. However, for the six months ended 30 June 2005, the Company has not yet established such a committee. The Directors are of the opinion that the absence of a remuneration committee does not have a material impact on the determination of remuneration.

To improve the Company's policy and structure for remuneration and to increase transparency, the Company is now actively looking for appropriate candidates and plans to set up the remuneration committee by the end of this year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules ("the Required Standard") as the Company's code of conduct regarding securities transactions by its Directors. A copy of the Required Standard was sent to each Director one month before the date of the Board meeting to approve the Company's 2005 half year results, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after such results have been published.

Under the Required Standard, Directors are required to notify the chairman of the Company and receive a dated acknowledgement in writing before dealing in the securities and derivatives of the Company and, in the case of the chairman of the Company himself, he must notify the chairman of the audit committee and receive a dated acknowledgement in writing before any dealing.

All Directors, upon specific enquiries, have confirmed that they have complied with the Required Standard during the six-month period ended 30 June 2005.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Required Standard. No incident of non-compliance was noted by the Company for the six-month period ended 30 June 2005.

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. 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 interim results for the six months ended 30 June 2005, with the Directors.

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. Lo Chih-Hsien *(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)*

By Order of the Board
Zheng Yue Wen
Chairman

Yantai, the PRC, 9 August 2005