



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 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*



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QUARTERLY RESULTS (UNAUDITED)

The directors (the “Directors”, collectively referred to as the “Board”) of the Company are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2005, with the comparatives of the corresponding periods in 2004, as follows:

	<i>Note</i>	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2005 <i>RMB'000</i>	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Turnover	3	158,710	75,055	469,080	385,214
Cost of sales		(104,040)	(48,028)	(289,053)	(244,071)
Gross Profit		54,670	27,027	180,027	141,143
Other operating income		258	14,960	4,564	23,425
Distribution expenses		(22,241)	(15,026)	(58,172)	(60,135)
Administrative expenses		(7,556)	(5,883)	(21,202)	(14,088)
Other operating expenses		(212)	(6,568)	(415)	(6,631)
Profit from operations		24,919	14,510	104,802	83,714
Net finance costs		(6,812)	(4,534)	(19,429)	(14,411)
Share of losses of an associate		(2,350)	–	(2,350)	–
Profit before taxation		15,757	9,976	83,023	69,303
Income tax	4	(1,020)	(474)	(6,791)	(3,627)
Profit for the period		14,737	9,502	76,232	65,676
Attributable to:					
Equity holders of the parent		14,189	9,502	75,630	65,676
Minority interests		548	–	602	–
Profit for the period		14,737	9,502	76,232	65,676
Dividends	5	–	–	33,946	34,932
Basic earnings per share	6	RMB0.008	RMB0.006	RMB0.04	RMB0.04

* 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 2005 conform with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”). IFRS include International Accounting Standards (“IAS”) and Interpretations. These unaudited consolidated results for the nine months ended 30 September 2005 also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited consolidated results for the nine months ended 30 September 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, 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.

2. Changes in accounting policies

The IASB has issued a number of new and revised IFRS (“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 unaudited consolidated results for the nine months ended 30 September 2005.

(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 generating 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 unaudited consolidated results for the nine months ended 30 September 2005. This has increased the Group's profit after tax for the nine months ended 30 September 2005 by RMB134,000.

(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 statement 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 statement 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 sales of condensed juice net of value added tax.

4. Income tax

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 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.

5. Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (nine months ended 30 September 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.

6. Earnings per share

(a) *Basic earnings per share*

For the three months and the nine months ended 30 September 2005, the calculation of earnings per share is based on the unaudited profit attributable to equity holders of the parent of approximately RMB14,189,000 and RMB75,630,000, respectively, (for the three months and the nine months ended 30 September 2004, the unaudited profit attributable to equity holders of the parent was approximately RMB9,502,000 and RMB65,676,000, respectively) and the weighted average number of shares in issue during the respective period. For the three months and the nine months ended 30 September 2005, the weighted average number of shares in issue was 1,697,300,000 (for the three months and the nine months ended 30 September 2004, the weighted average number of shares in issue was 1,672,077,174 and 1,570,265,328, respectively).

(b) *Diluted earnings per share*

Diluted earnings per share has not been calculated for the three months and the nine months ended 30 September 2005 and 2004 as there were no dilutive potential ordinary shares outstanding during these periods.

7. Equity

	Paid-in capital	Capital surplus	Share premium	Statutory reserves	Retained earnings	Total equity attributable to equity holders of the parent	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	169,730	10	212,606	51,867	105,847	540,060	8,358	548,418
Net profit for the period	–	–	–	–	75,630	75,630	602	76,232
Dividends to equity holders of the parent	–	–	–	–	(33,946)	(33,946)	–	(33,946)
Dividends to minority interests	–	–	–	–	–	–	(80)	(80)
Balance at 30 September 2005	<u>169,730</u>	<u>10</u>	<u>212,606</u>	<u>51,867</u>	<u>147,531</u>	<u>581,744</u>	<u>8,880</u>	<u>590,624</u>
Balance at 1 January 2004	151,880	10	89,071	33,037	68,022	342,020	–	342,020
Issuance of shares	17,850	–	123,535	–	–	141,385	–	141,385
Net profit for the period	–	–	–	–	65,676	65,676	–	65,676
Dividends to equity holders of the parent	–	–	–	–	(34,932)	(34,932)	–	(34,932)
Balance 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>	<u>–</u>	<u>514,149</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Performance

For the nine months ended 30 September 2005, the turnover of the Group increased to approximately RMB469,080,000, as compared to approximately RMB385,214,000 for the corresponding period in 2004, representing an increase of approximately RMB83,866,000 or 22%. The Group's turnover for the nine months ended 30 September 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. The increase in turnover was mainly attributable to the increase in selling price and sales volume of apple juice concentrate.

For the nine months ended 30 September 2005, the Group's gross profit increased to approximately RMB180,027,000 and the gross profit margin was approximately 38%, as compared to the gross profit of approximately RMB141,143,000 and gross profit margin of approximately 37% for the corresponding period in 2004. The increases in gross profit and gross profit margin were mainly attributable to higher increment in selling price than cost of sales.

For the nine months ended 30 September 2005, the Group's net profit (i.e. the profit for the period attributable to equity holders of the parent) increased to approximately RMB75,630,000, as compared to approximately RMB65,676,000 for the corresponding period in 2004, representing an increase of approximately RMB9,954,000 or 15%. The increase in net profit was mainly attributable to the increase in sales volume and the improvement in gross profit margin as mentioned above.

Other operating income

For the nine months ended 30 September 2005, the Group's other operating income reduced to approximately RMB4,564,000, as compared to approximately RMB23,425,000 for the corresponding period in 2004. The decrease in other operating income was mainly due to the decrease in the government grants and the decrease in sales of packaging materials during the period.

Distribution and administrative expenses

For the nine months ended 30 September 2005, the Group incurred distribution expenses of approximately RMB58,172,000, as compared to approximately RMB60,135,000 for the corresponding period in 2004, representing a decrease of approximately RMB1,963,000 or 3%. Such decrease was mainly attributable to the decrease of sea freight charges (being one of the major distribution expenses).

For the nine months ended 30 September 2005, the Group incurred administrative expenses of approximately RMB21,202,000, as compared to approximately RMB14,088,000 for the corresponding period in 2004, representing an increase of approximately RMB7,114,000 or 50%. 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., resulted in an increase in administrative expenses during the period. Xianyang Andre Juice Co., Ltd. and Dalian Andre Juice Co., Ltd. commenced operation in August and October 2005 respectively.

Other operating expenses

For the nine months ended 30 September 2005, the Group's other operating expenses reduced to approximately RMB415,000, as compared to approximately RMB6,631,000 for the corresponding period in 2004. The decrease in other operating expenses was mainly due to the decrease in the cost of packaging materials sold during the period.

Net finance costs

For the nine months ended 30 September 2005, the net finance costs of the Group increased to approximately RMB19,429,000, as compared to approximately RMB14,411,000 for the corresponding period in 2004, representing an increase of approximately RMB5,018,000 or 35%. Such increase was mainly due to the rise in interest rate in the PRC and expansion of production scale of the Group during the period.

Share of losses of an associate

Share of losses of an associate represented the share of preliminary expenses of Yantai Andre Pectin Co., Ltd. ("Andre Pectin") by the Group. On 3 March 2005, through additional capital injection and equity transfer in Andre Pectin, Andre Pectin has become an associate instead of a subsidiary of the Company. Currently the factory premises of Andre Pectin is under construction and production equipment is being installed.

Business review

Market expansion

With years of continuous effort, the Group has expanded its sales network to major countries and areas in the world, 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, etc.

To further strengthen the European market and to boost sales, the Company entered into an agency agreement on 11 July 2005 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 2005. The Company has signed a letter of intent in August this year with Uni-President Enterprises Corp. (“UNI”), an internationally renowned distributor, to appoint UNI as the sole agent of the Company for worldwide distribution and market promotion of retail-size package of apple juice concentrate of the Company. 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 Andre Pectin, the Group had successfully introduced two strategic investors, namely, Bytetrion 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 nine months ended 30 September 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; and
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”.

Cooperation with international financial institutions

The Company has arranged various long-term and short-term funding arrangements in foreign currency with international renowned financial institutions such as International Finance Corporation, Rabobank and The Hongkong and Shanghai Banking Corporation. The Directors believe that such long-term and short-term funding arrangements in foreign currency can reduce the Group's exchange rate risk and finance cost, and can facilitate better business development.

Future prospects

In 2005, with the gradual implementation of specific measures inclining to the agricultural industry under the PRC government's macroeconomic policies, and the gradual improvement of various related PRC laws and regulations, the Company will enjoy more development and financing 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. Moreover, subject to the approval of the related resolutions in the upcoming special general meeting on 16 November 2005, the Company will make applications for switching the listing of the H shares of the Company (the "H Shares") from GEM to the Main Board of the Stock Exchange. Future development plans of the Company are summarized as follows:

Increase in production capacity

The Group has constructed a new production line in 陕西省咸阳市 (Xianyang City, Shaanxi Province, the PRC) with a 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 has altered the strategic location of existing juice concentrate production lines by moving one of the production lines in Yantai Longkou Andre Juice Co., Ltd. ("Longkou Andre") 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, adjusting the relative output proportion of apple juice concentrate with high, medium and low acidity, and diversifying the risk of shortage of apple supply. These two factories had already commenced operation at the beginning of this pressing season.

To meet the growing demand for juice concentrate both in local and overseas markets and to capitalize on the rich apple resources in Dalian, the Group plans to install another production line with an expected annual production capacity of approximately 30,000 tonnes apple juice concentrate per pressing season in Dalian in the coming year, hence expanding the Group's annual output volume of apple juice concentrate to 210,000 tonnes. In the next two years, the Group will also seek opportunities such as mergers and acquisitions to boost its annual production capacity of juice concentrate to reach its ongoing target of approximately 250,000 tonnes, thereby strengthening the Group's leading position in the industry.

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.

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 has set up sales office in Canada with a view to achieving 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.

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 Enterprises Food Co., Ltd.) and part of the equity interests in 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.

Production of pectin

Through the contribution of capital, technical expertise in pectin manufacturing, marketing, promotion and product application by two strategic investors, namely, Byteton 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 further 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.

Application for switching the listing of the H shares from GEM to the Main Board of the Stock Exchange

Since the listing on GEM in April 2003, the Group has grown rapidly. To enhance the profile of the Group which, in turn, attracts more attention and gain further recognition from leading industry analysts and the investing public, including institutional investors, as well as increase the liquidity of the H Shares, the Directors will propose resolutions at the special general meeting to be held on 16 November 2005 to seek approval by the shareholders to approve, among other things, (1) the making of an application to the China Securities Regulatory Commission (“CSRC”) in respect of the proposed listing of the H Shares on the Main Board of the Stock Exchange; and (2) simultaneously with the application to the CSRC or after obtaining the CSRC’s approval as referred to in (1) above, the making of the application to the Stock Exchange to list the H Shares on the Main Board of the Stock Exchange by the way of an introduction and, conditional upon the approval of the Listing Committee of the Main Board of the Stock Exchange granting listing of and permission to deal in the H Shares on the Main Board of the Stock Exchange, the proposed voluntary withdrawal of the listing of the H Shares on GEM. If such resolutions are passed, the Company will make applications to the CSRC and the Stock Exchange according to the related rules and regulations and with reference to the market condition and the Group’s own situation.

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 and poor risk-sheltering ability, and therefore will accelerate the industry reorganization and provide a development opportunity for the Company.

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.

Minimization of adverse impact of reduction in apple supply

Due to adverse weather conditions and apple growth cycle, the Company estimated that supply of apples in the second half of the pressing season this year will be severely affected. The Company will endeavor to minimize the impact brought about by reduction in apple output by making the best use of its existing resources. The Group is well prepared on its operation to minimize such adverse impact by:

1. Maintaining sufficient working capital

The Group has sufficient working capital to meet the capital requirement due to the increase in raw material costs.

2. Utilizing its existing reserve of apple juice concentrate

The Group has continuously maintained an inventory of apple juice concentrate as reserve to stabilize the output of apple juice concentrate when the apple supply fluctuates.

3. Focusing on premium customers for higher profit margin

The Group will continue its corporate strategy of focusing on premium customers in Japan and the United States to maximize its returns particularly when there is a shortage of apple supply.

4. Diversifying production bases

The Group has diversified its production bases throughout the major apple supply areas in the PRC. Its 6 production bases (totaling 8 production lines) are located in 4 provinces, namely Shaanxi, Shandong, Liaoning and Jiangsu to reduce the risk arising from over-reliance on a particular source of apples.

5. Developing self-owned cultivation sites for apples with high acidity

The Group has started developing over 400,000 acres of cultivation sites for apples with high acidity in Shandong, Shaanxi and Jiangsu, etc. Upon harvest, those cultivation sites will supply approximately 70% of the Group's production needs.

LOAN AGREEMENT WITH INTERNATIONAL FINANCE CORPORATION

On 21 April 2005, the Company entered into a loan agreement with International Finance Corporation (“IFC”) for a loan of US\$15 million (approximately HK\$117 million) repayable commencing on 15 March 2007 by 10 approximately equal instalments until all monies payable under the loan agreement have been fully repaid.

As at the date of this report, the Company has not yet drawn down the loan.

As part of the 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. have collectively agreed with IFC and the Company to retain their legal and beneficial aggregate ownership of not less than 40% in the share capital of the Company 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. In the event that their legal and beneficial aggregate ownership falls below the above aggregate percentage level, the Company will be required to repay the principal amount of the loan from time to time outstanding and interest thereon accrued.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2005, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors (the “Supervisors”) of the Company or 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 2005.

* *For identification purpose only*

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

As at 30 September 2005, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to 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 as referred to in Rules 5.46 to 5.67 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 September 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 September 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 September 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 September 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 letter “L” denotes a long position.

* For identification purpose only

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

As at 30 September 2005, so far as the Directors are aware, the following persons (other than the Directors, the Supervisors and the chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register kept by the Company pursuant to 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	Promoter Shares	12,090,000 (L)	Beneficial owner	Corporate	1.06%	0.71%
Beijing RAJ Network Sales Co., Ltd.*	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%
Wang An	Promoter Shares	176,526,730 (L)	Interest of controlled corporation (controlling 83.36% interest of such corporation) (Note 1)	Personal	15.50%	10.40%

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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
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 (<i>Note 2</i>)	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%
統一企業股份有限公司 Uni-President Enterprises Corp.	Promoter Shares	84,695,270 (L)	Beneficial owner (<i>Note 3</i>)	Corporate	7.44%	4.99%
Atlantis Investment Management Ltd. (<i>Note 4</i>)	H Shares	34,000,000 (L)	Investment manager	Corporate	6.09%	2.00%
Martin Currie Investment Management Limited	H Shares	46,755,000 (L)	Beneficial owner	Corporate	8.37%	2.75%

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Notes:

- (1) Since 17 March 2005, Wang An's interest in that corporation (i.e. Yantai Donghua Fruit Co., Ltd.* 台東華果業有限公司) has increased to 83.36%.
- (2) The corporate substantial shareholder notices filed to the Stock Exchange and the Company showed that HSBC International Trustee Limited controlled 99.77% of Prosper United Limited.
- (3) The corporate substantial shareholder notices filed by 統一企業股份有限公司 (Uni-President Enterprises Corp.) to the Stock Exchange and the Company on 8 September 2004 showed that it was taken to be interested in 84,695,270 Promoter Shares through its controlled corporations, with 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.), its indirect controlled corporation, holding 84,695,270 Promoter Shares in the Company. No notice has been given to or received by the Stock Exchange or the Company by 成都統一企業食品有限公司 (Chengdu President Enterprises Food Co., Ltd.) in relation to its interests in the Company.
- (4) Based on the information available on the website of the Stock Exchange, the corporate substantial shareholder notice filed to the Stock Exchange showed that Atlantis Investment Management Ltd., in the capacity of investment manager, held 34,000,000 H Shares, representing 6.09% and 2.00% of the total H Shares and the total share capital of the Company respectively.
- (5) The following former substantial shareholders have ceased to be the substantial shareholders of the Company but the relevant notices have not been given to or received by the Stock Exchange or the Company.

Name of substantial shareholder	Date of cessation of having an interest in at least 5% of the Promoter Shares
Oh Jeong Taek	31 December 2004
Korea Jeong Soo Andre Co., Ltd.*	31 December 2004

The transfer of 284,700,000 Promoter Shares from Korea Jeong Soo Andre Co., Ltd., the shareholding of which is owned as to 55% by Oh Jeong Taek, to Donghua Fruit Industry Co., Ltd. was completed on 31 December 2004. As at 30 September 2005, no corporate substantial shareholder notice and individual substantial shareholder notice has been filed by Korea Jeong Soo Andre Co., Ltd.* and Oh Jeong Taek, respectively, indicating that they have ceased to have an interest in at least 5% of the Promoter Shares.

- (6) Based on the information available on the website of the Stock Exchange, the following former corporate substantial shareholders have given notices to the Stock Exchange in respect of the cessation of having an interest in at least 5% of the H Shares:

Name of substantial shareholder	Date of cessation of having an interest in at least 5% of the H Shares
UBS AG	26 July 2005
Investco Asia Limited in its capacity as manager/adviser of various accounts	4 August 2005

- (7) 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. None of Barits, its directors, employees or its associates (as referred to in notes 2 and 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2005.

COMPETING INTERESTS

As at 30 September 2005, 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.

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 with the Directors about internal controls and financial reporting matters including a review of the third quarterly results for the nine months ended 30 September 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. 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, 10 November 2005