

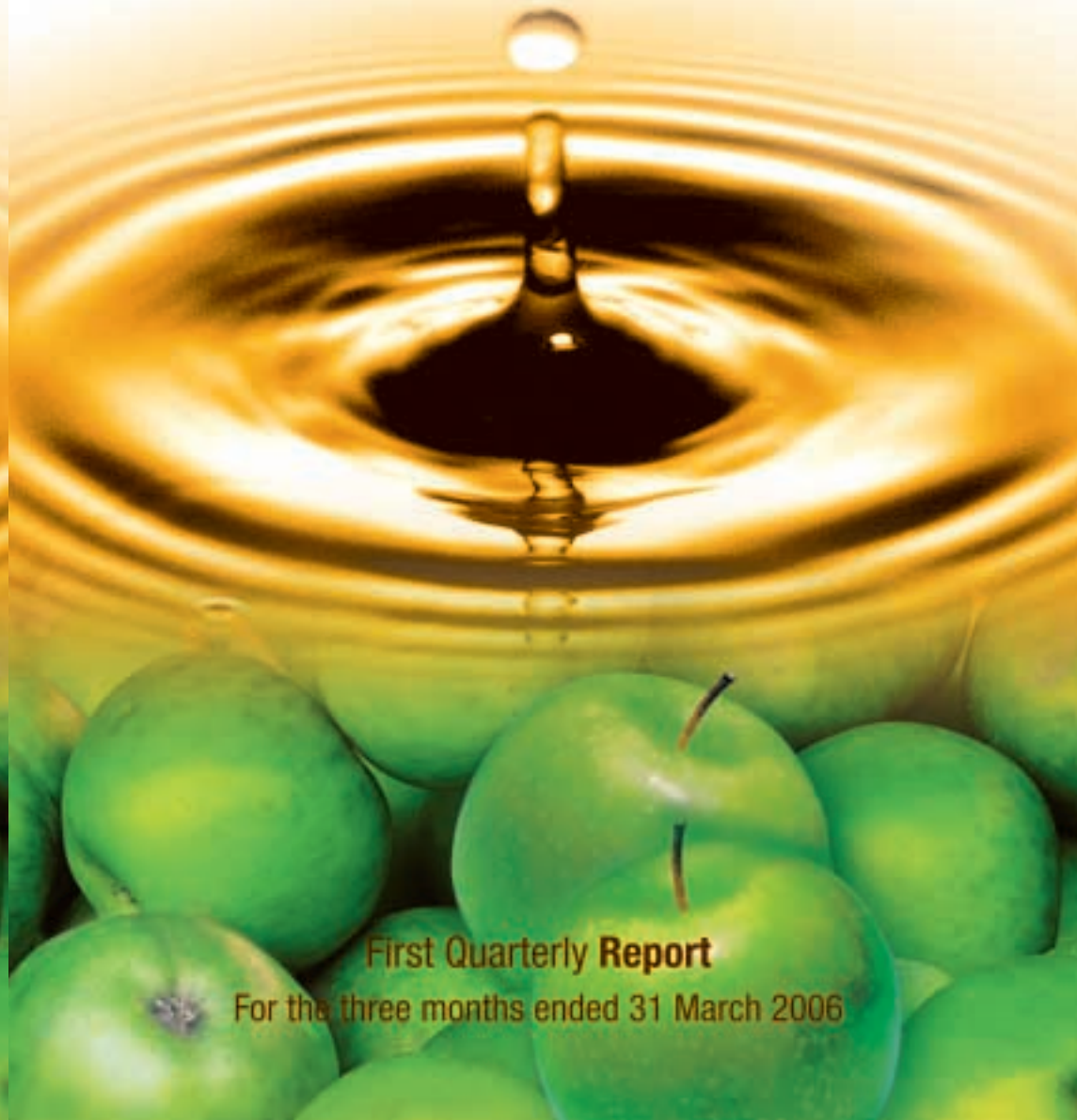


烟台北方安德利果汁股份有限公司

Yantai North Andre Juice Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8259)



First Quarterly Report

For the three months ended 31 March 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Yantai North Andre Juice Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

* For identification purpose only



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Yantai North Andre Juice Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China)

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 2006, with the comparatives of the corresponding period in 2005, as follows:

Consolidated Income Statement

		Unaudited	
		For the three months	
		ended 31 March	
	<i>Note</i>	2006	2005
		RMB'000	RMB'000
Turnover	2	187,097	158,684
Cost of sales		(152,745)	(94,889)
Gross Profit		34,352	63,795
Other operating income		2,105	3,554
Distribution expenses		(13,421)	(18,747)
Administrative expenses		(6,768)	(5,094)
Profit from operations		16,268	43,508
Net finance costs		(8,521)	(4,648)
Share of losses from an associate		(342)	–
Profit before taxation		7,405	38,860
Income tax	3	(671)	(4,770)
Profit for the period		6,734	34,090
Attributable to:			
Equity shareholders of the Company		6,556	33,822
Minority interests		178	268
Profit for the period		6,734	34,090
Dividends	4	–	–
Basic earnings per share	5	RMB0.004	RMB0.02

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 2006 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 three months ended 31 March 2006 also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited consolidated results for the three months ended 31 March 2006 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 2005.

2. Turnover

The Group is principally engaged in the production and sale of condensed juice. Turnover primarily represents income arising from the sale 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 2006, the Board expects that the Company will meet the requirements and be entitled to the 50% relief on its PRC income tax for 2006. 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 concession, at rates of 15% to 33%. In accordance with the relevant PRC tax rules and regulations, certain of these subsidiaries are exempt from PRC income tax for two years starting from its 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 2006 (2005: Nil).

5. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of approximately RMB6,556,000 (for the three months ended 31 March 2005, the unaudited profit attributable to equity shareholders of the Company

was approximately RMB33,822,000) and the weighted average of 1,723,335,333 shares (for the three months ended 31 March 2005, the weighted average number of shares was 1,697,300,000 shares) in issue during the period.

(b) *Diluted earnings per share*

Diluted earnings per share has not been presented as there were no dilutive potential ordinary shares in existence for the three months ended 31 March 2006 and 2005.

6. Equity

	Paid-in capital <i>RMB '000</i>	Capital surplus <i>RMB '000</i>	Share premium <i>RMB '000</i>	Statutory reserves <i>RMB '000</i>	Retained earnings <i>RMB '000</i>	Total equity attributable to equity shareholders of the Company <i>RMB '000</i>	Minority interest <i>RMB '000</i>	Total equity <i>RMB '000</i>
Balance at								
1 January 2006	169,730	10	212,606	70,310	129,386	582,042	9,026	591,068
Issuance of shares	11,158	–	69,838	–	–	80,996	–	80,996
Share issue expenses	–	–	(6,500)	–	–	(6,500)	–	(6,500)
Profit for the period	–	–	–	–	6,556	6,556	178	6,734
Balance at								
31 March 2006	<u>180,888</u>	<u>10</u>	<u>275,944</u>	<u>70,310</u>	<u>135,942</u>	<u>663,094</u>	<u>9,204</u>	<u>672,298</u>

There has been no movement in the equity, other than the retained earnings, during the three months ended 31 March 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2006, the Group's turnover increased to approximately RMB187,097,000 as compared to approximately RMB158,684,000 for the corresponding period in 2005, representing an increase of approximately RMB28,413,000 or 18%. The Group's turnover was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products. The increase in turnover was mainly attributable to the increase in sales volume of apple juice concentrate. The increase in sales volume was mainly due to active market expansion and increase in the market share of the Company.

For the three months ended 31 March 2006, the Group's gross profit was approximately RMB34,352,000 and the gross profit margin was approximately 18%. For the corresponding period in 2005, the gross profit was approximately RMB63,795,000 and gross profit margin was approximately 40%. The decrease in gross profit and gross profit margin was mainly attributable to the increase in production costs arising from the decrease in apple supply and thus significant increase in material cost in 2006.

For the three months ended 31 March 2006, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) decreased to approximately RMB6,556,000 as compared to approximately RMB33,822,000 for the corresponding period in 2005, representing a decrease of approximately RMB27,266,000 or 81%. The decrease in net profit was mainly attributable to the rise in production costs and thus the decrease in gross profit margin.

For the three months ended 31 March 2006, the Group incurred distribution expenses of approximately RMB13,421,000, as compared to approximately RMB18,747,000 for the corresponding period in 2005, representing a decrease of approximately RMB5,326,000. The Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such decrease was mainly attributable to the decrease in sea freight charges.

For the three months ended 31 March 2006, the Group incurred administration expenses of approximately RMB6,768,000 as compared to approximately RMB5,094,000 for the corresponding period in 2005, representing an increase of approximately RMB1,674,000. Such increase was mainly attributable to the commencement of operation of the two new factories in Dalian and Xiangyang in the second half of 2005 which led to the increase in general administrative expenses.

For the three months ended 31 March 2006, the net finance costs of the Group increased to approximately RMB8,521,000, as compared to approximately RMB4,648,000 for the corresponding period in 2005, representing an increase of approximately RMB3,873,000 or 83%. Such increase was mainly due to the increase in the amount of bank borrowings resulting from expansion of production scale, the rise in basic interest rate in the People's Republic of China (the "PRC") and the London Interbank Offered Rate Index in the international finance market during the period.

Business Review

Enhance Market Coverage

With years of continuous effort, the Group has already expanded its sales network to major countries and regions in the world, including the US, Japan, European countries and PRC market.

Product Diversification

The Group had further implemented various aspects of the production of pectin during the reporting period. The construction of the factory premises located in Yantai was started on 26 August 2005. The required production equipment was purchased and is being installed. The Directors believe that the production and sales of pectin can be further enhanced in accordance with its plan.

Cooperation with International Financial Institutions

The Group has arranged various long-term and short-term funding arrangements in foreign currency with international renowned financial institutions such as International Finance Corporation ("IFC"), Rabobank, The Hongkong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited. 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.

Subscription and Placing of H Shares

On 23 February 2006, the Company entered into a subscription agreement with IFC, pursuant to which IFC agreed to subscribe an aggregate of 50,000,000 new H shares of the Company at a price of HK\$0.70 per H share.

The Company has also entered into a placing agreement on 23 February 2006 with Guotai Junan Securities (Hong Kong) Limited, pursuant to which Guotai Junan Securities (Hong Kong) Limited agreed to place an aggregate of 61,580,000 new H shares of the Company at a price of HK\$0.70 per H share.

The above subscription and placing were completed on 10 March 2006. From 13 March 2006, the new H shares, representing an aggregate of approximately 6.17% of the total share capital of the Company as enlarged by the issue of the new H shares, are traded on the GEM.

Future Prospects

In 2006, 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 Group will enjoy more development and financing opportunities. Aiming at enlarging its business scale, the Group will strive to further enlarge market, enhance productivity, diversify products, expand sales, disperse markets and to develop financing channels, etc. Moreover, the Group has obtained the approval from shareholders' meeting to make applications for switching the listing of the H shares from GEM to the Main Board of the Stock Exchange. The Company will make applications to the China Securities Regulatory Commission and the Stock Exchange according to the related rules and regulations and with reference to the market condition and the Group's own situation. Future development plans of the Company are summarized as follows:

Expand Markets

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.

Uplift Production Capacity

To meet the growing demand for juice concentrate both in local and overseas markets and considering the abundant supply of apple resources in Dalian, the Group plans to build a new production line in factory situated in Dalian with an expected production capacity of approximately 30,000 tonnes of juice concentrate per pressing season, bringing the annual

production capacity of the Group's self-constructed production lines to reach approximately 210,000 tonnes of juice concentrate. In addition, the Group will focus on small and medium sized enterprises both in the PRC and overseas and will also seek opportunities such as mergers and acquisitions, to boost its annual production capacity of juice concentrate to attain approximately 250,000 tonnes, thereby strengthening the Group's leading position in the industry.

Product Diversification

Other than clear apple juice concentrate, clear pear juice concentrate, apple essence, pear essence and feedstuff, the Group will endeavour to bring significant breakthroughs in the development and production of pomace, the production of cloudy apple juice concentrate, fructose (including apple fructose and pear fructose), other fruit juice types and retail drinks. The critical technology of industrialization of pectin production has been completed. Volume production can be started in the second half of 2006. For cloudy apple juice concentrate and fructose which are of high profit margin, through many years of research and development, the Group has achieved breakthrough in such industrialized production technology. In the last pressing season, the Group managed to produce a small amount of such qualified products. Volume production will be commenced in the next pressing season. For other fruit juice types, the Group has successfully developed samples of carrot juice concentrate, date juice concentrate, sweet potato juice concentrate, etc. Breakthrough in the critical production technology of guava juice will soon be achieved. The Group will catch the most appropriate time to launch new products according to the market demand. In addition, with the increase in the production volume of juice concentrate, retail-size package of juice concentrate will be promoted in the near future. The cooperation with renowned beverage manufacturer to produce OEM package of retail drinks will be implemented as soon as possible.

Development of Financing Channels

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

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 Group 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 introduction of exchange rate fluctuation clause in sale contracts, the increase in the proportion of loan denominated in US dollars, the proportion of sea freight expenses denominated in US dollars, the development of the domestic market and the increase in the output of high-acidity products which are of higher profit margin, etc. 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 Group.

EUREPGAP Accreditation System

The Group is in its plan to implement a new EUREPGAP accreditation system jointly with IFC in this year. EUREPGAP accreditation system is a technology supporting system mainly provided by IFC. Following the occurrence of a series of food accidents in Europe and the emphasis on anti-terrorism on food after the 911 events in the US, the establishment of a product traceability system becomes increasingly important. A product traceability system requires food and drink manufacturers to possess ability to trace the country of origin of raw materials, the manufacturing process of materials, manufacturer, supply chain and other critical problems. EUREPGAP is a well recognized accreditation system for agricultural industry in the world. The Directors believe as a pioneer in implementing such system in fruit juice concentrate manufacturing industry, the Group is expected to benefit from tremendous business opportunities.

LOAN AGREEMENT WITH IFC

On 21 April 2005, the Company entered into a loan agreement (the “Loan Agreement”) with IFC for a loan of US\$15,000,000 (approximately HK\$117,000,000) repayable commencing on 15 March 2007 by 10 approximately equal instalments until all monies payable under the Loan Agreement have been fully repaid. 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.* (煙台東華果業有限公司) and Donghua Fruit Industry Co., Ltd. have collectively undertaken to IFC and the Company to retain their legal and beneficial aggregate ownership of not less than 40% in the share capital of the Company so 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 shall be required to repay the principal amount of the loan from time to time outstanding and the interest thereon accrued.

On 21 March 2006, after the subscription of shares by IFC (details of which are set out under the section headed “Subscription and Placing of H Shares” above), the Company entered into an Amended and Restated Agreement to the Loan Agreement (the “Amended Loan Agreement”) with IFC to amend the facility to be granted by IFC under the Loan Agreement from US\$15,000,000 to US\$8,000,000 and to make certain other incidental changes to the Loan Agreement, including the cancellation of all assets charged by IFC. The Amended Loan Agreement was signed subject to the entering into of (a) the Yantai Share Retention Agreement, pursuant to which each of 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.* (煙台東華果業有限公司) and Donghua Fruit Industry Co., Ltd. will undertake to maintain an aggregate interest of no less than 40% in the issued share capital of the Company; and (b) Donghua Share Retention Agreement, pursuant to which Mr. Wang An and Mr. Zhang Hui will agree to maintain the specified percentage interests in each of Yantai Donghua Fruit Co., Ltd.* (煙台東華果業有限公司) and Donghua Fruit Industry Co., Ltd..

As at the date of this report, both the Yantai Share Retention Agreement and the Donghua Share Retention Agreement have not yet been finalised and the loan of US\$8,000,000 under the Amended Loan Agreement is not yet available to be drawn down.

* For identification purpose only

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2006, 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 31 March 2006.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 March 2006, the interests and short positions of the Directors, the Supervisors and the chief executive 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 domestic shares	Percentage in total share capital
Zheng Yue Wen (Note 1)	Domestic shares	558,714,000 (L)	Interest of corporation controlled	Personal	49.06%	30.89%
Wang An (Note 2)	Domestic shares	200,690,730 (L)	Interest of corporation controlled	Personal	17.62%	11.09%

Notes:

- (1) As at 31 March 2006, Zheng Yue Wen was taken to be interested in the 558,714,000 domestic shares through its controlled corporations. Out of the 558,714,000 domestic 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 domestic 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 domestic shares. As at 31 March 2006, 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 31 March 2006, 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 2006, China Pingan Investment Holdings Limited was having a direct interest of 200,690,730 domestic shares and Wang An controlled 90% interest in China Pingan Investment Holdings Limited.
- (3) The letter “L” denotes a long position.

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

As at 31 March 2006, so far as the Directors are aware, the following persons (other than the Directors, Supervisors and the chief executive 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 domestic shares/H shares	Percentage in total share capital
Zheng Yue Wen	Domestic shares	558,714,000 (L)	Interest of controlled corporation (controlling 43% interest of such corporation)	Personal	49.06%	30.89%
北京瑞澤網絡銷售有限責任公司	Domestic shares	12,090,000 (L)	Beneficial owner	Corporate	1.06%	0.67%
Beijing RAJ Network Sales Co., Ltd.*	Domestic shares	546,624,000 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Corporate	48.00%	30.22%

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in domestic shares/H shares	Percentage in total share capital
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*	Domestic shares	546,624,000 (L)	Interest of controlled corporation (controlling 79% interest of such corporation)	Corporate	48.00%	30.22%
Wang An (<i>Note 1</i>)	Domestic shares	200,690,730 (L)	Interest of controlled corporation (controlling 90% interest of such corporation)	Personal	17.62%	11.09%
China Pingan Investment Holdings Limited (<i>Note 1</i>)	Domestic shares	200,690,730 (L)	Beneficial owner	Corporate	17.62%	11.09%
烟台東華果業 有限公司 Yantai Donghua Fruit Co., Ltd.* (<i>Note 1</i>)	Domestic shares	176,526,730 (L)	Beneficial owner	Corporate	15.50%	9.76%
HSBC International Trustee Limited	Domestic shares	284,700,000 (L)	Trustee (<i>Note 2</i>)	Corporate	25.00%	15.74%
Prosper United Limited	Domestic shares	284,700,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.00%	15.74%
ACME Team International Limited	Domestic shares	284,700,000 (L)	Interest of controlled corporation (controlling 70% interest of such corporation)	Corporate	25.00%	15.74%

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in domestic shares/H shares	Percentage in total share capital
Donghua Fruit Industry Co., Ltd.	Domestic shares	284,700,000 (L)	Beneficial owner	Corporate	25.00%	15.74%
統一企業股份有限公司 Uni-President Enterprises Corp.	Domestic shares	84,695,270 (L)	Beneficial owner (Note 3)	Corporate	7.44%	4.68%
Atlantis Investment Management Ltd. (Note 4)	H shares	57,120,000 (L)	Investment manager	Corporate	8.52%	3.16%
IFC	H shares	50,000,000 (L)	Beneficial owner	Corporate	7.46%	2.76%
INVESCO Hong Kong Limited (previously known as INVESCO Asia Limited) in its capacity as manager/advisor of various accounts	H shares	35,130,000 (L)	Investment manager	Corporate	5.24%	1.94%

Notes:

- (1) On 18 November 2005, 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.*), the shareholding of which was owned as to 83.36% by Wang An, and Mr. Yung Ka Hee Titus entered into separate agreements with China Pingan Investment Holdings Limited, the shareholding of which was owned as to 90% by Wang An. Pursuant to the agreements, 烟台東華果業有限公司 (Yantai Donghua Fruit Co., Ltd.*) would transfer 176,526,730 domestic shares and Mr. Yung Ka Hee would transfer 24,164,000 domestic shares to China Pingan Investment Holdings Limited. The transfer is conditional upon, among other things, the Company obtaining the written approval by the relevant PRC authority and the new business license reflecting the changes due to the transfer. As at 31 March 2006, the Company had not obtained the relevant approval and new business license.
- (2) The corporate substantial shareholder notices filed to the Stock Exchange and the Company showed that HSBC International Trustee Limited controlled 99.77% interest in 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 domestic 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, having interest of 84,695,270 domestic shares in the Company. No notice had 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, holds 57,120,000 H shares, representing 8.52% and 3.16% of the total H shares and the total share capital of the Company respectively.
- (5) The letter “L” denotes a long position.

COMPETING INTERESTS

As at 31 March 2006, 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 first quarterly results for the three months ended 31 March 2006.

By Order of the Board
Zheng Yue Wen
Chairman

Yantai, the PRC, 11 May 2006

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*)