



**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 2007**

## **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.**

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

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

\* 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)

### 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 2007, with the comparatives of the corresponding period in 2006, as follows:

#### Consolidated Income Statement

		<b>Unaudited For the three months ended 31 March</b>	
		<b>2007</b>	2006
		<b>RMB'000</b>	RMB'000
	<i>Note</i>		
<b>Turnover</b>	2	<b>324,800</b>	187,097
Cost of sales		<b>(267,917)</b>	(152,745)
<b>Gross Profit</b>		<b>56,883</b>	34,352
Other operating income		<b>1,545</b>	2,105
Distribution expenses		<b>(14,919)</b>	(13,421)
Administrative expenses		<b>(5,732)</b>	(6,768)
<b>Profit from operations</b>		<b>37,777</b>	16,268
Net finance costs		<b>(8,769)</b>	(8,521)
Share of profit/(losses) from an associate		<b>715</b>	(342)
<b>Profit before taxation</b>		<b>29,723</b>	7,405
Income tax	3	<b>(1,620)</b>	(671)
<b>Profit for the period</b>		<b>28,103</b>	6,734
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>27,927</b>	6,556
Minority interests		<b>176</b>	178
<b>Profit for the period</b>		<b>28,103</b>	6,734
Dividends payable to equity shareholders of the Company	4	—	—
Basic and diluted earnings per share	5	<b>RMB0.015</b>	RMB0.004

\* For identification purpose only

Notes:

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

The principal accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2007 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 2007 also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited consolidated results for the three months ended 31 March 2007 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 2006.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## **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 2007, the Board expects that the Company will meet the requirements and be entitled to the 50% relief on its PRC income tax for 2007. 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 2007 (2006: 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 RMB27,927,000 (2006: RMB6,556,000) and the weighted average of 1,808,880,000 shares (2006: 1,723,335,333 shares) in issue during the period.

(b) *Diluted earnings per share*

There was no difference between basic and diluted earnings per share as there were no dilutive potential ordinary shares outstanding for the three months ended 31 March 2007 and 2006.

**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 issuance 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 equity, other than the retained earnings, during the three months ended 31 March 2007.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Financial Review**

For the three months ended 31 March 2007, the Group's turnover increased to approximately RMB324,800,000 as compared to approximately RMB187,097,000 for the corresponding period in 2006, representing an increase of approximately RMB137,703,000 or 74%. 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 and selling price of apple juice concentrate. The increase in sales volume was mainly due to the Company's expansion into new markets. The increase in selling price was mainly attributable to the market demand of the Group's products.

For the three months ended 31 March 2007, the Group's gross profit was approximately RMB56,883,000 and the gross profit margin was approximately 18%. For the corresponding period in 2006, the gross profit was approximately RMB34,352,000 and gross profit margin was approximately 18%.

For the three months ended 31 March 2007, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) increased to approximately RMB27,927,000 as compared to approximately RMB6,556,000 for the corresponding period in 2006, representing an increase of approximately RMB21,371,000 or 326%. The increase in net profit was mainly attributable to the increase in both sales volume and selling price of the Group's products.

For the three months ended 31 March 2007, the Group incurred distribution expenses of approximately RMB14,919,000, as compared to approximately RMB13,421,000 for the corresponding period in 2006, representing an increase of approximately RMB1,498,000. The

Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such increase was mainly attributable to the increase in land transportation charges.

For the three months ended 31 March 2007, the Group incurred administration expenses of approximately RMB5,732,000 as compared to approximately RMB6,768,000 for the corresponding period in 2006, representing a decrease of approximately RMB1,036,000. Such decrease was mainly attributable to the tight control of administrative expenses by the Group.

For the three months ended 31 March 2007, the net finance costs of the Group increased to approximately RMB8,769,000, as compared to approximately RMB8,521,000 for the corresponding period in 2006, representing a slight increase of approximately RMB248,000. 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.

For the three months ended 31 March 2007, share of profit from an associate amounted to approximately RMB715,000, as compared to the share of losses from an associate of approximately RMB342,000 for the corresponding period in 2006, representing an increase of approximately RMB1,057,000. Such increase was mainly due to the commencement of volume production of pectin in the factory premises located in Yantai at the end of 2006.

## **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.

### *Optimization of Customer Base*

While expanding its market places and market share, the Group also optimized its profile of customer base, according to the situation of insufficient product supply in recent years. Currently, the customer base of the Company mainly comprises the renowned beverage manufacturers of the world.

### *Development of Apples with High Acidity*

Encouraging peasants to cultivate apples is the major business strategy and the foundation of continuing development of the Company throughout the years. In the recent years, the price of juice concentrate is increasing in the global market, so as the acquisition price of raw materials, which in turn drives the peasants to cultivate apples, in particular their motivation to cultivate apples with high acidity. Hence, the cultivation area of the bases of apple juice concentrate developed by the Group surrounding the production bases is expanding continuously. As the Group started to develop the bases of apple juice concentrate early, some of the bases are attaining the capacity gradually, which guarantees the supply of raw materials for the Company.

### *Production of Pectin*

The Group had further implemented various aspects of the production of pectin during the reporting period. Tasks such as commissioning of the production equipment in the factory premises located in Yantai, trial production run, were completed in accordance with its plan. Volume production was also started.

## **Future Prospects**

In 2007, 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 better 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 such 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 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.

### *Further Increase Juice 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 Shanxi, the Group plans to build a new production base in Yongji city, Shanxi, to put the production line into operation prior to new pressing season, to further uplift the Group's production capacity and perfect the strategic location of production lines. Also, the Group will complete the alteration of technology of the existing production lines prior to new pressing season, and enhance the production capacity of unit time of the existing production lines. The implementation of the above measures helps to uplift the annual production capacity of the Group to approximately 250,000 tonnes.

### *Accelerate Acquisition and Merger*

The Group is aiming at taking over small and medium enterprises in the industry, both domestic or abroad, through capital activities such as merger and acquisition, to further increase the Group's annual production capacity for juice concentrate, thereby strengthening our leading position in the industry. For the current target enterprises, the Group strives to achieve the breakthrough of acquisition and merger prior to the new pressing season.

### *Enhance Pectin Production Capacity*

The pectin production equipment of Yantai plant of the Group has realized volume production in October last year, with an annual production capacity amounted to 2,000 tonnes. On the basis of the successful volume production of current pectin production line, the Group is planning to start the construction of the second pectin production line, thereby uplift the production capacity of pectin as soon as possible, so as to achieve economy of scale.

### *Product Diversification*

Other than clear apple juice concentrate, clear pear juice concentrate, apple essence, pear essence, pectin and feedstuff, the Group will endeavour to bring significant breakthroughs in the diversified production of pectin, higher volume production of cloudy apple juice concentrate, fructose (including apple fructose and pear fructose) and guava juice, and the production of other fruit juice types and preserved fruit, dried fruit ring and dried fruit dice. The critical technology of industrialization of pectin production has been managed and volume production was commenced. The Group will accelerate its diversified production of pectin product type. For cloudy apple juice concentrate, fructose and guava juice 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 such qualified products. Larger volume production will be commenced in the near future. For other fruit juice types, the Group has successfully developed samples of carrot juice concentrate, date juice concentrate, sweet potato juice concentrate, guava juice concentrate, etc. In addition, the Company will fully make use of its strategic advantage, that is abundant supply of fruit and various fruit types nearby its factory locations, with reference to market demand and on the basis of successful small volume production in the last pressing season, increase the volume production of preserved fruit, dried fruit ring and dried fruit dice.

### *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 longterm funding in foreign currency. 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.

### **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.\* (烟



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 issued 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, 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 is 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.\* (烟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.\* (烟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.

#### **TERM FACILITY AGREEMENT WITH CERTAIN FINANCIAL INSTITUTIONS**

On 2 June 2006, the Company as borrower entered into the Term Facility Agreement with certain financial institutions whereby the lenders have agreed to make available to the Company a term facility in an aggregate amount of US\$60,000,000 (approximately HK\$468,000,000).

The terms of the Term Facility Agreement impose specific performance obligations on the part of the controlling shareholders of the Company. Under the Term Facility Agreement, each of the following will constitute an event of default upon which the facility will, among others, become immediately due and payable: (i) Mr. Wang An does not or ceases to have or is not or ceases to be entitled to exercise, directly or through his controlled corporations, management control over each of the Company and its material subsidiaries; and (ii) the aggregate shareholding in the Company that is beneficially owned by Mr. Zheng Yue Wen and Mr. Wang An, whether directly or through their respective controlled corporations, is not or ceases to be larger than the aggregate shareholding (whether direct or indirect) in the Company of and/or held to the order of any other person and/or persons acting in concert with such other person.

As at the date of this report, Mr. Zheng Yue Wen and Mr. Wang An, whether directly or through their respective controlled corporations, collectively held approximately 41.98% of the total issued share capital of the Company. Mr. Zheng Yue Wen and Mr. Wang An are also executive Directors of the Company.

\* For identification purpose only

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2007, 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 2007.

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

As at 31 March 2007, 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	279,357,000 (L)	Interest of controlled corporation	Personal	24.531%	15.445%
Wang An (Note 2)	Domestic shares	480,047,730 (L)	Interest of controlled corporation	Personal	42.154%	26.538%

#### Notes:

- (1) As at 31 March 2007, Zheng Yue Wen was taken to be interested in the 279,357,000 domestic shares through its controlled corporation, 光彩事業國土綠化整理有限公司(Glory Cause Land Afforestation Co., Ltd.\*). As at 31 March 2007, 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 2007, 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 2007, China Pingan Investment Holdings Limited had a direct interest of 200,690,730 domestic shares and Wang An controlled 90% interest in China Pingan Investment Holdings Limited. As at 31 March 2007, 山東安德利集團有限公司 (Shandong Andre Group Co., Ltd.\*) had a direct interest of 279,357,000 domestic shares and Wang An controlled 80% interest in 山東安德利集團有限公司 (Shandong Andre Group Co., Ltd.\*).
- (3) The letter “L” denotes a long position.

## **SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SHARES AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 March 2007, 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**

<b>Name of substantial shareholder</b>	<b>Class of shares</b>	<b>Number of shares held</b>	<b>Capacity</b>	<b>Type of interest</b>	<b>Percentage in domestic shares/H shares</b>	<b>Percentage in total share capital</b>
Zheng Yue Wen (Note 1)	Domestic shares	279,357,000 (L)	Interest of controlled corporation (controlling 43% interest of such corporation)	Personal	24.531%	15.445%
北京瑞澤 網絡銷售 有限責任公司 Beijing RAJ Network Sales Co., Ltd.* (Note 1)	Domestic shares	279,357,000 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Corporate	24.531%	15.445%
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	279,357,000 (L)	Interest of controlled corporation (controlling 79% interest of such corporation)	Corporate	24.531%	15.445%

\* For identification purpose only

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
Wang An (Note 2)	Domestic shares	200,690,730 (L)	Interest of controlled corporation (controlling 90% interest of such corporation)	Personal	17.623%	11.095%
	Domestic shares	279,357,000 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Personal	24.531%	15.445%
China Pingan Investment Holdings Limited (Note 2)	Domestic shares	200,690,730 (L)	Beneficial owner	Corporate	17.623%	11.095%
山東安德利集團有限公司 Shandong Andre Group Co., Ltd.* (Note 2)	Domestic shares	279,357,000 (L)	Beneficial owner	Corporate	24.531%	15.445%
HSBC International Trustee Limited (Note 3)	Domestic shares	284,700,000 (L)	Trustee	Corporate	25.000%	15.739%
Prosper United Limited	Domestic shares	284,700,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.000%	15.739%
ACME Team International Limited	Domestic shares	284,700,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.000%	15.739%
Donghua Fruit Industry Co., Ltd.	Domestic shares	284,700,000 (L)	Beneficial owner	Corporate	25.000%	15.739%

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
統一企業股份有限公司 Uni-President Enterprises Corp. (Note 4)	Domestic shares	84,695,270 (L)	Beneficial owner	Corporate	7.437%	4.682%
Atlantis Investment Management Ltd. (Note 5)	H shares	95,000,000 (L)	Investment manager	Corporate	14.177%	5.252%
IFC	H shares	50,000,000 (L)	Beneficial owner	Corporate	7.462%	2.764%
INVESCO Hong Kong Limited (previously known as INVESCO Asia Limited) in its capacity as manager/advisor of various accounts (Note 6)	H shares	63,885,000 (L)	Investment manager	Corporate	9.533%	3.532%
Mitsui & Co., Ltd. (Note 7)	H Shares	47,000,000 (L)	Beneficial owner	Corporate	7.014%	2.598%
Everest Capital Limited (Note 8)	H Shares	48,260,000 (L)	Investment manager	Corporate	7.202%	2.668%

*Notes:*

- (1) As at 31 March 2007, 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 2007, 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) Wang An controlled 90% interest in China Pingan Investment Holdings Limited and 80% interest in 山東安德利集團有限公司(Shandong Andre Group Co., Ltd.\*).
- (3) The corporate substantial shareholder notices filed to the Stock Exchange and the Company dated 4 July 2006 showed that HSBC International Trustee Limited controlled 100% interest in Prosper United Limited.
- (4) 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, 成都統一企業食品有限公司(Chengdu President Enterprises Food Co., Ltd.), its direct 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 interest in the Company.

- (5) 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 95,000,000 H shares, representing 14.177% and 5.252% of the total H shares and the total share capital of the Company respectively.
- (6) Based on the information available on the website of the Stock Exchange, the corporate substantial shareholder notice filed to the Stock Exchange showed that INVESCO Hong Kong Limited, in the capacity of investment manager, holds 63,885,000 H shares, representing 9.533% and 3.532% of the total H shares and the total share capital of the Company respectively.
- (7) Based on the information available on the website of the Stock Exchange, the corporate substantial shareholder notice filed to the Stock Exchange showed that Mitsui & Co., Ltd. holds 47,000,000 H shares, representing 7.014% and 2.598% of the total H shares and the total share capital of the Company respectively.
- (8) Based on the information available on the website of the Stock Exchange, the corporate substantial shareholder notice filed to the Stock Exchange showed that Everest Capital Limited holds 48,260,000 H shares, representing 7.202% and 2.668% of the total H shares and the total share capital of the Company respectively.
- (9) The letter "L" denotes a long position.

### **COMPETING INTERESTS**

As at 31 March 2007, 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 2007.

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

Yantai, the PRC, 30 April 2007

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*)