



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)



Interim Report

For the six months ended 30 June 2007

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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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Yantai North Andre Juice Co., Ltd.*

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

HALF-YEAR RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2007, with the comparatives of the corresponding periods in 2006, as follows:

Consolidated Income Statement

	Note	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	303,739	162,865	628,539	349,962
Cost of sales		(254,348)	(133,988)	(522,265)	(286,733)
Gross profit		49,391	28,877	106,274	63,229
Other operating income		4,731	509	6,494	2,684
Distribution expenses		(13,686)	(16,278)	(28,605)	(29,699)
Administrative expenses		(4,029)	(7,255)	(9,761)	(14,023)
Other operating expenses		(1,240)	(142)	(1,458)	(212)
Profit from operations		35,167	5,711	72,944	21,979
Net finance costs		(2,576)	(7,776)	(11,345)	(16,297)
Share of profit/(loss) from an associate		1,323	(312)	2,038	(654)
Profit/(loss) before taxation	3	33,914	(2,377)	63,637	5,028
Income tax	4	(1,021)	(650)	(2,641)	(1,321)
Profit/(loss) for the period		<u>32,893</u>	<u>(3,027)</u>	<u>60,996</u>	<u>3,707</u>
Attributable to:					
Equity shareholders of the Company		32,576	(3,171)	60,503	3,385
Minority interests		317	144	493	322
Profit/(loss) for the period		<u>32,893</u>	<u>(3,027)</u>	<u>60,996</u>	<u>3,707</u>
Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period	5	27,133	27,133	27,133	27,133
Basic and diluted earnings/(loss) per share	6	<u>RMB0.018</u>	<u>RMB(0.002)</u>	<u>RMB0.033</u>	<u>RMB0.002</u>

* For identification purpose only

Consolidated Balance Sheet

	Note	Unaudited 30 June 2007 RMB '000	Audited 31 December 2006 RMB '000
ASSETS			
Non-current assets			
Property, plant and equipment	7	630,147	574,043
Lease prepayments		37,747	32,722
Interest in an associate		64,733	62,695
Goodwill		1,452	1,452
Total non-current assets		<u>734,079</u>	<u>670,912</u>
Current assets			
Inventories		364,982	699,751
Trade receivables	8	178,633	173,309
Other receivables and prepayments		242,915	250,279
Cash and cash equivalents		132,803	58,432
Total current assets		<u>919,333</u>	<u>1,181,771</u>
Total assets		<u>1,653,412</u>	<u>1,852,683</u>
LIABILITIES			
Current liabilities			
Short-term bank loans		309,392	505,975
Trade payables	9	50,367	72,598
Other payables and accrued expenses		91,059	91,930
Income tax payable		4,015	5,872
Total current liabilities		<u>454,833</u>	<u>676,375</u>
Net current assets		<u>464,500</u>	<u>505,396</u>
Total assets less current liabilities		<u>1,198,579</u>	<u>1,176,308</u>
Non-current liabilities			
Long-term bank loans		456,930	468,522
Other long-term liabilities		249	249
Total non-current liabilities		<u>457,179</u>	<u>468,771</u>
Total liabilities		<u>912,012</u>	<u>1,145,146</u>
CAPITAL AND RESERVES			
Paid-in capital	10	180,888	180,888
Reserves		550,432	517,062
Total equity attributable to equity shareholders of the Company		<u>731,320</u>	<u>697,950</u>
Minority interests		10,080	9,587
Total equity		<u>741,400</u>	<u>707,537</u>
Total equity and liabilities		<u>1,653,412</u>	<u>1,852,683</u>

Condensed Consolidated Cash Flow Statement

Unaudited
For the six months
ended 30 June

	2007	2006
	RMB'000	RMB'000
Net cash inflow from operating activities	466,055	218,412
Net cash outflow from investing activities	(186,389)	(127,695)
Net cash inflow before financing activities	279,666	90,717
Net cash (outflow)/inflow from financing activities	(205,295)	168,819
Net increase in cash and cash equivalents	74,371	259,536
Cash and cash equivalents at beginning of the period	58,432	61,187
Cash and cash equivalents at end of the period	132,803	320,723
Analysis of balances of cash and cash equivalents		
Cash and bank balances	132,803	320,723

Consolidated Statement of Changes in Equity – unaudited

	Paid-in capital	Capital surplus	Share premium	Statutory reserves	Retained earnings	Total equity attributable to equity shareholders of the Company	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007	180,888	10	274,816	83,594	158,642	697,950	9,587	707,537
Profit for the period	-	-	-	-	60,503	60,503	493	60,996
Dividends to equity shareholders of the Company	-	-	-	-	(27,133)	(27,133)	-	(27,133)
Balance as at 30 June 2007	180,888	10	274,816	83,594	192,012	731,320	10,080	741,400
Balance as at 1 January 2006	169,730	10	212,606	70,310	129,386	582,042	9,026	591,068
Issuance of new shares	11,158	-	69,838	-	-	80,996	-	80,996
Share issue expenses	-	-	(7,631)	-	-	(7,631)	-	(7,631)
Profit for the period	-	-	-	-	3,385	3,385	322	3,707
Dividends to equity shareholders of the Company	-	-	-	-	(27,133)	(27,133)	-	(27,133)
Balance as at 30 June 2006	180,888	10	274,813	70,310	105,638	631,659	9,348	641,007

Notes:

1. Basis of preparation and accounting policies

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

The unaudited consolidated interim financial statements are prepared on the historical cost basis.

The accounting policies have been consistently applied by the Group and are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2006.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 represents income arising from the sale of condensed juice net of value added tax.

3. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting) the following items:

	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
(a) Net finance costs:				
Interest on bank loans repayable within five years	14,032	9,569	31,413	17,627
Bank charges and others	(10,029)	(1,644)	(15,521)	(1,104)
Interest income	(1,427)	(149)	(4,547)	(226)
(b) Other item:				
Depreciation	3,861	2,418	11,977	5,654

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 half of 2007, the Board expects that the Company will meet the requirements and be entitled to 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 concessions, 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 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 six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

Pursuant to a resolution passed at the shareholders' meeting on 28 May 2007, a dividend payable to equity shareholders of the Company totaling RMB27,133,000 for 2006 was approved.

Pursuant to a resolution passed at the shareholders' meeting on 18 May 2006, a dividend payable to equity shareholders of the Company totaling RMB27,133,000 for 2005 was approved.

6. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share for the three months and the six months ended 30 June 2007 is based on the unaudited profit/(loss) attributable to equity shareholders of the Company of approximately RMB32,576,000 and RMB60,503,000, respectively (for the three months and six months ended 30 June 2006, the unaudited (loss)/profit attributable to equity shareholders of the Company was approximately RMB(3,171,000) and RMB3,385,000, respectively) and the weighted average of 1,808,880,000 shares in issue during the three months and the six months ended 30 June 2007 (for the three months and the six months ended 30 June 2006, the weighted average number of shares in issue was 1,723,335,333 and 1,766,343,978 shares, respectively).

There was no difference between basic and diluted earnings per share as there were no dilutive potential ordinary shares outstanding during these periods.

7. Property, plant and equipment

During the six months ended 30 June 2007, the Group had additions to property, plant and equipment in the amount of approximately RMB69,037,000 (six months ended 30 June 2006: RMB53,149,000).

8. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Within 3 months	158,111	163,568
Over 3 months but less than 6 months	13,642	7,820
Over 6 months	6,880	1,921
	<hr/>	<hr/>
Total	178,633	173,309
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Customers are generally granted credit terms of 3 to 6 months, depending on the credit standing of individual customers.

9. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Within 6 months	47,228	68,063
Over 6 months but less than 1 year	1,712	3,231
Over 1 year	1,427	1,304
	<hr/>	<hr/>
Total	50,367	72,598
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10. Paid-in capital

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Registered, issued and fully paid:		
1,138,800,000 (2006: 1,138,800,000) Domestic shares of RMB0.10 each (2006: RMB0.10 each)	113,880	113,880
670,080,000 (2006: 670,080,000) H shares of RMB0.10 each (2006: RMB0.10 each)	67,008	67,008
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Total	180,888	180,888
	<hr/> <hr/>	<hr/> <hr/>

11. Commitments

As at 30 June 2007, the Group had capital commitments in respect of property, plant and equipment not provided for in the interim financial statements as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Contracted for	134,457	112,946
Authorised but not contracted for	30,000	100,000
	<hr/> 164,457 <hr/>	<hr/> 212,946 <hr/>

12. Related party transactions

During the six months ended 30 June 2007, the Group entered into the following material related party transactions:

	Unaudited for the six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Sales to the jointly controlled entity	1,678	—
Purchase from the jointly controlled entity	42,370	—
Sales to the associate	3,169	—

13. Subsequent events

On 4 July 2007, the Company entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited and Mega Capital (Asia) Company Limited (the "Joint Placing Agents"), pursuant to which with the Joint Placing Agents have agreed to place an aggregate of 130,000,000 new H shares of the Company at a price of HK\$ 1.18 per H share. Upon the completion of the above placing, the total registered share capital of the Company will be increased from 1,808,880,000 to 1,938,880,000 shares, of which the total H shares of the Company will be increased from 670,080,000 shares to 800,080,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2007, the Group's turnover increased to approximately RMB628,539,000 as compared to approximately RMB349,962,000 for the corresponding period in 2006, representing an increase of approximately RMB278,577,000 or 80%. 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 six months ended 30 June 2007, the Group's gross profit was approximately RMB106,274,000 and the gross profit margin was approximately 17%. For the corresponding period in 2006, the gross profit was approximately RMB63,229,000 and gross profit margin was 18%.

For the six months ended 30 June 2007, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB60,503,000 as compared to approximately RMB3,385,000 for the corresponding period in 2006, representing an increase of approximately RMB57,118,000 or 1687%. 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 six months ended 30 June 2007, the Group's other operating income was approximately RMB6,494,000 as compared to approximately RMB2,684,000 for the corresponding period in 2006, representing an increase of approximately RMB3,810,000. The increase in other operating income was mainly due to the increase in technology grant in the PRC.

For the six months ended 30 June 2007, the Group incurred distribution expenses of approximately RMB28,605,000, as compared to approximately RMB29,699,000 for the corresponding period in 2006, representing a decrease of approximately RMB1,094,000. 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 six months ended 30 June 2007, the Group incurred administrative expenses of approximately RMB9,761,000 as compared to approximately RMB14,023,000 for the corresponding period in 2006, representing a decrease of approximately RMB4,262,000 or 30%. Such decrease was mainly attributable to the tight control of administrative expenses by the Group.

For the six months ended 30 June 2007, the net finance costs of the Group decreased to approximately RMB11,345,000, as compared to approximately RMB16,297,000 for the corresponding period in 2006, representing a decrease of approximately RMB4,952,000 or 30%. Such decrease was mainly due to the exchange difference caused by appreciation of RMB.

For the six months ended 30 June 2007, share of profit from an associate amounted to approximately RMB2,038,000, as compared to the share of losses from an associate of approximately RMB654,000 for the corresponding period in 2006, representing an increase of approximately RMB2,692,000. 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

Acquisition of Binzhou Anli

On 28 April 2007, the Company (as purchaser) entered into a share acquisition agreement with Korea Jeong Soo Andre Co., Ltd. and Yantai Anlin Fruit Industry Co., Ltd.* (collectively as vendor), for the purchase respectively (1) from Korea Jeong Soo Andre Co., Ltd. of 21% equity interest in Binzhou Anli Juice Co., Ltd.* (濱州安利果汁飲料有限公司) ("Binzhou Anli"), at a

cash consideration of RMB21,757,885.98 (approximately HK\$21,975,000); and (2) from Yantai Anlin Fruit Industry Co., Ltd.* of 30% equity interest in Binzhou Anli at a cash consideration of RMB31,082,694.25 (approximately HK\$31,394,000) subject to certain conditions precedent. Upon completion of the share acquisition agreement, the Company would own 51% equity interest of Binzhou Anli whereas Korea Jeong Soo Andre Co., Ltd. would own 49% equity interest of Binzhou Anli.

Binzhou Anli is a Chinese foreign equity joint venture company established in the PRC. Binzhou Anli is principally engaged in the (a) production and sale of fruit juice, vegetable juice and apple essence; and (b) storage and sale of winter date.

The Board considered that the above acquisition represented a good opportunity for the Company to increase its production capacity. The Board believed that, as a result of the above acquisition, the production capacity of the Company would increase.

All the conditions precedent have been fulfilled. The Group has started to consolidate the results of Binzhou Anli with effect from 1 July 2007.

Enhancing Market Coverage

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

Optimization of Customer Base

While expanding its market places and market share, the Group has also optimized its profiles of customer bases in view of the 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 continuous development of the Company throughout the years. In the recent years, the price of juice concentrate as well as the acquisition price for raw materials have been increasing in the global market, which in turn drives the peasants to cultivate apples, in particular 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 had started to develop the bases of apple juice concentrate early, some of the bases are attaining their full capacities 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. Tasks such as commissioning of the production equipment in the factory premises located in Yantai and trial run production were completed in accordance with its plan. Volume production has also started.

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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 and favourable 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 and disperse its markets, enhance its productivity, diversify its products, expand its sales markets and develop financing channels, etc. Moreover, the Group has obtained the approval from its shareholders' meeting to make applications to switch the listing of the H shares from GEM Board 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 relevant 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:

Markets Expansion

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 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.

Further Increase in 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 the 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 improvement of the technology of the existing production lines prior to the new pressing season, and enhance the production capacity 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.

Acceleration of Acquisition and Merger

The Group will continue to aim at taking over small and medium enterprises in the industry, both domestic or foreign, 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.

Enhancing 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 a second pectin production line, thereby uplifting 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 use its best endeavour to bring significant breakthroughs in (a) the diversified production of pectin; (b) higher volume production of cloudy apple juice concentrate, fructose (including apple fructose and pear fructose) and guava juice; and (c) the production of other fruit juice types, preserved fruits, dried fruit rings and dried fruit dices. The critical technology of industrialization of pectin production has been managed and volume production has been commenced. The Group will accelerate its diversified production of pectin product types. 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 the abundant supply of fruits 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, to increase the volume production of preserved fruits, dried fruit rings and dried fruit dices.

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 its funding varieties, especially long term funding in foreign currency. The Group can thereby reduce its foreign exchange risk and finance costs, 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 provision of exchange rate fluctuation clause in sale contracts, the increase in the proportion of loan and 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.

PLACING OF H SHARES

The Company entered into a placing agreement on 4 July 2007 with Guotai Junan Securities (Hong Kong) Limited and Mega Capital (Asia) Company Limited as joint placing agents, pursuant to which the joint placing agents agreed to place an aggregate of 130,000,000 new H shares of the Company at a price of HK\$1.18 per H share. The above placing was completed on 16 July 2007. From 16 July 2007, the new H shares, representing an aggregate of approximately 6.71% of the total share capital of the Company as enlarged by the issue of the new H shares, have been traded on the GEM.

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 by 10 approximately equal instalments commencing on 15 March 2007 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 supplemental 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 the charge over all assets in the Group in favour of 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.* (烟台東華果業有限公司) and Donghua Fruit Industry Co., Ltd. would 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 would 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 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 upon drawdown).

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/persons.

As at 30 June 2007, Mr. Zheng Yue Wen and Mr. Wang An, whether directly or through their respective controlled corporations, collectively held approximately 45.30% of the total issued share capital of the Company. Mr. Zheng Yue Wen and Mr. Wang An are also the executive Directors of the Company.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2007, the Group had a total of 811 employees. The Group's employment and remuneration policies remained unchanged with those described in the prospectus of the Company. The salaries and benefits of the employees of the Group were kept at a competitive level and employees were rewarded on a performance related basis with general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, were also provided to employees.

DIVIDEND

The Board has proposed a final dividend of RMB0.015 per share for the year ended 31 December 2006. The proposal to declare and pay this final dividend was passed at the annual general meeting held on 28 May 2007.

The Board proposed not to distribute interim dividend for the period ended 30 June 2007.

SIGNIFICANT INVESTMENT

There was no significant investment made by the Group during the six months ended 30 June 2007.

MATERIAL ACQUISITION AND DISPOSAL

Apart from the acquisition of 51% equity interest of Binzhou Anli from Korea Jeong Soo Andre Co., Ltd. and Yantai Anlin Fruit Industry Co., Ltd.* on 28 April 2007, no material acquisition or disposal of subsidiary or associated company has been made by the Company during the six months ended 30 June 2007.

CONTINGENT LIABILITIES

As at 30 June 2007, the Directors were not aware of any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2007, the Group did not have any charge on its assets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated financial resources and loans from banks. As at 30 June 2007, the Group had outstanding bank loans amounted to approximately RMB766,322,000, of which RMB309,392,000 was borrowed at interest rates ranging from 5.58% to 6.73% and RMB456,930,000 was borrowed at LIBOR + 1.10%.

As at 30 June 2007, the Group had a net cash and cash equivalent position of approximately RMB132,803,000. The Group's gearing ratio at 30 June 2007 was approximately 55% (30 June 2006: approximately 58%) which was calculated based on the Group's total liabilities of approximately RMB912,012,000 (30 June 2006: approximately RMB882,599,000) and total equity and liabilities of approximately RMB1,653,412,000 (30 June 2006: approximately RMB1,523,606,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is substantially denominated in US dollars. It is the practice of the Group to convert its operating revenue denominated in US dollars to RMB for financing its operating expenses and capital requirements. However, the results of operations and the financial position of the Group may be affected by any changes in the exchange rates.

On the other hand, the conversion of RMB denominated balances into foreign currencies is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2007, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's shares.

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

As at 30 June 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("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 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 of the Company 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	Approximate percentage of domestic shares/H shares	Approximate percentage of total share capital
Zheng Yue Wen (Note 1) (Note 3)	Domestic shares	279,357,000 (L)	Interest of controlled corporation	Personal	24.53%	15.45%
Wang An (Note 2) (Note 3)	Domestic shares	540,047,730 (L)	Interest of controlled corporation	Personal	47.42%	29.85%

Notes:

- As at 30 June 2007, Zheng Yue Wen was taken to be interested in the 279,357,000 domestic shares through its controlled corporation, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司). As at 30 June 2007, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司) was controlled (as to 79%) by Beijing Asia Pacific Century Technology Development Limited Liability Company* (北京亞太世紀科技發展有限責任公司) which in turn was controlled (as to 80%) by Beijing RAJ Network Sales Co., Ltd.* (北京瑞澤網絡銷售有限責任公司). As at 30 June 2007, Zheng Yue Wen controlled 43% interest in Beijing RAJ Network Sales Co., Ltd.* (北京瑞澤網絡銷售有限責任公司).
- As at 30 June 2007, China Pingan Investment Holdings Limited had direct interest in 200,690,730 domestic shares and Wang An controlled 90% interest in China Pingan Investment Holdings Limited. As at 30 June 2007, Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) had direct interest in 339,357,000 domestic shares and Wang An controlled 80% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司).

* For identification purpose only

- (3) As stated in the Company's announcement dated 31 May 2007, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司) has entered into agreements to sell all of its shareholding in the Company to the following parties:
- (a) 40,000,000 domestic shares of the Company to Mr. Yung Ka Hee Titus;
 - (b) 60,000,000 domestic shares of the Company to Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司); and
 - (c) 179,357,000 domestic shares of the Company to Yantai Anlin Fruit Industry Co., Ltd.* (烟台安林果業有限公司), a Chinese-foreign equity joint venture company established under the laws of the PRC.

The above transfers are conditional upon, among other things, the approval of the relevant PRC authorities and as at 30 June 2007 the above transfers have not been completed.

- (4) 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 30 June 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

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Approximate percentage of domestic shares/H shares	Approximate percentage of total share capital
Beijing RAJ Network Sales Co., Ltd.* 北京瑞澤網絡銷售 有限責任公司 (Note 1)	Domestic shares	279,357,000 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Corporate	24.53%	15.45%
Beijing Asia Pacific Century Technology Development Limited Liability Company* 北京亞太世紀 科技發展有限 責任公司 (Note 1)	Domestic shares	279,357,000 (L)	Interest of controlled corporation (controlling 79% interest of such corporation)	Corporate	24.53%	15.45%

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Approximate percentage of domestic shares/ H shares	Approximate percentage of total share capital
Glory Cause Land Land Afforestation Co., Ltd.* 光彩事業國土綠化整理有限公司 (Note 1)	Domestic shares	279,357,000 (L)	Beneficial owner	Corporate	24.53%	15.45%
China Pingan Investment Holdings Limited (Note 2)	Domestic shares	200,690,730 (L)	Beneficial owner	Corporate	17.62%	11.10%
Shandong Andre Group Co., Ltd.* 山東安德利集團有限公司 (Note 2)	Domestic shares	339,357,000 (L)	Beneficial owner	Corporate	29.80%	18.76%
HSBC International Trustee Limited (Note 3)	Domestic shares	284,700,000 (L)	Trustee	Corporate	25.00%	15.74%
Prosper United Limited (Note 3)	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 (Note 3)	Domestic shares	284,700,000 (L)	Interest of controlled corporation (controlling 70% interest of such corporation)	Corporate	25.00%	15.74%
Donghua Fruit Industry Co., Ltd. (Note 3)	Domestic shares	284,700,000 (L)	Beneficial owner	Corporate	25.00%	15.74%
Uni-President Enterprise Corp. 統一企業股份有限公司 (Note 4)	Domestic shares	84,695,270 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.44%	4.68%

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Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of interest	Approximate percentage of domestic shares/ H shares	Approximate percentage of total share capital
Chengdu President Enterprises Food Co., Ltd. 成都統一企業食品有限公司 (Note 4)	Domestic shares	84,695,270 (L)	Beneficial owner	Corporate	7.44%	4.68%
Yantai Anlin Fruit Industry Co., Ltd.* 烟台安林果業有限公司 (Note 5)	Domestic shares	179,357,000 (L)	Beneficial owner	Corporate	15.74%	9.92%
Atlantis Investment Management Ltd.	H shares	135,345,000 (L)	Investment manager	Corporate	20.20%	7.48%
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	63,885,000 (L)	Investment manager	Corporate	9.53%	3.53%
Mitsui & Co., Ltd.	H shares	47,000,000 (L)	Beneficial owner	Corporate	7.01%	2.60%
Everest Capital Limited	H shares	48,260,000 (L)	Investment manager	Corporate	7.20%	2.67%
JP Morgan Chase & Co. (Note 6)	H shares	40,588,100 (L)	Investment manager and custodian	Corporate	6.06%	2.24%
JP Morgan Chase Bank, N.A. (Note 6)	H shares	34,773,100 (L)	Custodian	Corporate	5.19%	1.92%

Notes:

- (1) As at 30 June 2007, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司) was controlled (as to 79%) by Beijing Asia Pacific Century Technology Development Limited Liability Company* (北京亞太世紀科技發展有限責任公司) which in turn was controlled (as to 80%) by Beijing RAJ Network Sales Co., Ltd.* (北京瑞澤網絡銷售有限責任公司). As at 30 June 2007, Zheng Yue Wen controlled 43% interest in Beijing RAJ Network Sales Co., Ltd.* (北京瑞澤網絡銷售有限責任公司). Please also refer to Note (3) under the Section of “Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in the Shares of the Company”.

- (2) As at 30 June 2007, China Pingan Investment Holdings Limited had direct interest in 200,690,730 domestic shares of the Company and Wang An controlled 90% interest in China Pingan Investment Holdings Limited. As at 30 June 2007, Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) had direct interest in 339,357,000 domestic shares of the Company and Wang An controlled 80% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司). Please also refer to Note (3) under the Section of “Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in the Shares of the Company”.
- (3) As at 30 June 2007, Donghua Fruit Industry Co. Ltd. had direct interest in 284,700,000 domestic shares of the Company. Donghua Fruit Industry Co. Ltd. was controlled (as to 70%) by ACME Team International Limited which in turn was controlled (as to 100%) by Proper United Limited. Property United Limited was controlled (as to 100%) by HSBC International Trustee Limited.
- (4) As at 30 June 2007, the corporate substantial notices filed by Uni-President Enterprises Corp. (統一企業股份有限公司) to the Stock Exchange and the Company showed that it was taken to be interested in 84,695,270 domestic shares through its controlled corporations, Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司) which had direct interest in 84,695,270 domestic shares in the Company. No notice had been given to or received by the Stock Exchange or the Company by Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司) in relation to its interest in the Company.
- (5) Yantai Anlin Fruit Industry Co., Ltd.* (烟台安林果業有限公司) had entered into an agreement with Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司) whereby Yantai Anlin Fruit Industry Co., Ltd.* (烟台安林果業有限公司) would purchase 179,357,000 domestic shares of the Company from Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司), subject to the terms and conditions contained therein. As at 30 June 2007, the above transfer had not been completed. Please also refer to Note (3) under the Section of “Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in the Shares of the Company”.
- (6) As at 30 June 2007, JP Morgan Chase & Co. held 40,588,100 H shares (5,815,000 H shares in the capacity of investment manager and 34,773,100 H shares in the capacity of custodian), representing 6.06% and 2.24% of the total H shares and the total share capital of the Company respectively. The 34,773,100 H shares were directly held by JP Morgan Chase Bank, N.A., a corporation 100% controlled by JP Morgan Chase & Co. The 5,815,000 H shares were directly held by JF Asset Management Limited, a corporation 100% controlled by JP Morgan Asset Management (Asia) Inc., which was in turn 100% controlled by JP Morgan Asset Management Holdings Inc. JP Morgan Asset Management Holdings Inc. was a corporation 100% controlled by JP Morgan Chase & Co.
- (7) The letter (L) denotes a long position.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

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

The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated the principles and code provisions in the “Code on Corporate Governance Practices” of the GEM Listing Rules.

* For identification purpose only

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the Company's code of conduct regarding securities transactions by its Directors. A copy of the Required Standard has been sent to each Director one month before the date of the Board meeting to approve the Company's 2007 half year results, with a reminder that the Director could not deal in the securities and derivatives of the Company until after such results have been published.

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

All Directors, upon specific enquiries, have confirmed that they have complied with the Required Standard during the six-month period ended 30 June 2007.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Required Standard. No incident of non-compliance was noted by the Company for the six-month period ended 30 June 2007.

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 the audit committee, Qu Wen and Yu Shou Neng.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim results for the six months ended 30 June 2007, with the Directors.

By order of the Board
Yantai North Andre Juice Co., Ltd.*
Zheng Yue Wen
Chairman

Yantai, the PRC, 6 August 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. Jiang Hong Qi (*Executive Director*)
Mr. Li Ye Sheng (*Executive Director*)
Mr. Lo Chih-Hsien (*Non-executive Director*)
Mr. Wu Jian Hui (*Independent non-executive Director*)
Ms. Yu Shou Neng (*Independent non-executive Director*)
Ms. Qu Wen (*Independent non-executive Director*)