



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)



Third Quarterly Report

For the nine months ended 30 September 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.*

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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 nine months ended 30 September 2007, with the comparatives of the corresponding period in 2006, as follows:

	Note	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	375,016	178,426	1,003,555	528,388
Cost of sales		(261,644)	(120,592)	(783,909)	(407,325)
Gross Profit		113,372	57,834	219,646	121,063
Other operating income		4,148	7,005	10,643	9,689
Distribution expenses		(35,169)	(22,280)	(63,773)	(51,979)
Administrative expenses		(8,380)	(11,485)	(18,141)	(25,508)
Other operating expenses		(85)	(6,109)	(1,544)	(6,321)
Profit from operations		73,886	24,965	146,831	46,944
Net finance costs		(5,643)	(6,367)	(16,988)	(22,664)
Investment income		-	53,086	-	53,086
Share of (loss)/profit from an associate		(251)	-	1,787	(654)
Profit before taxation		67,992	71,684	131,630	76,712
Income tax	3	(4,606)	(5,726)	(7,247)	(7,047)
Profit for the period		63,386	65,958	124,383	69,665
Attributable to:					
Equity shareholders of the Company		63,406	65,751	123,910	69,136
Minority interests		(20)	207	473	529
Profit for the period		63,386	65,958	124,383	69,665
Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period	4	-	-	27,133	27,133
Basic and diluted earnings per share	5	RMB0.033	RMB0.036	RMB0.067	RMB0.039

* For identification purpose only

Notes:

1. Basis of preparation and accounting policies

The principal accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 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 nine months ended 30 September 2007 also comply the applicable disclosure provisions of the GEM Listing Rules.

The unaudited consolidated results for the nine months ended 30 September 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 financial statements in conformity with IFRS requires management to make judgments, 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 primarily represents income arising from the sale of condensed juice net of value added tax.

3. 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 accounts for more than 70% of its total sales for the year. According to the Company’s previous years’ sales records and sales in the first nine months of 2007, the Board expects that the Company will meet the requirement 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 their first profit-making year, namely, the year in which a taxable profit is made after the offset of deductible losses incurred in prior years, 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 nine months ended 30 September 2007 (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.

5. Earnings per share

The calculation of basic and diluted earnings per share for the three months and the nine months ended 30 September 2007 is based on the unaudited profit attributable to equity shareholders of the Company of approximately RMB63,406,000 and RMB123,910,000, respectively (for the three months and nine months ended 30 September 2006, the unaudited profit attributable to equity shareholders of the Company was approximately RMB65,751,000 and RMB69,136,000, respectively) and the weighted average of 1,934,640,870 and 1,851,260,952 shares in issue during the three months and the nine months ended 30 September 2007 (for the three months and the nine months ended 30 September 2006, the weighted average number of shares in issue was 1,808,880,000 and 1,780,678,462 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.

6. Capital and reserves

	Paid-in capital	Capital surplus	Share premium	Statutory reserves	Retained earnings	Total equity attributable to equity shareholders of the Company	Minority interest	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance at 1 January 2007	180,888	10	274,816	83,594	158,642	697,950	9,587	707,537
Issuance of new shares	13,000	-	135,446	-	-	148,446	-	148,446
Share issue expenses	-	-	(7,788)	-	-	(7,788)	-	(7,788)
Acquisition of a subsidiary	-	-	-	-	-	-	53,282	53,282
Profit for the period	-	-	-	-	123,910	123,910	473	124,383
Dividends to equity shareholders of the Company	-	-	-	-	(27,133)	(27,133)	-	(27,133)
Balance at 30 September 2007	<u>193,888</u>	<u>10</u>	<u>402,474</u>	<u>83,594</u>	<u>255,419</u>	<u>935,385</u>	<u>63,342</u>	<u>998,727</u>
Balance 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	-	-	(7,628)	-	-	(7,628)	-	(7,628)
Profit for the period	-	-	-	-	69,136	69,136	529	69,665
Dividends to equity shareholders of the Company	-	-	-	-	(27,133)	(27,133)	-	(27,133)
Balance at 30 September 2006	<u>180,888</u>	<u>10</u>	<u>274,816</u>	<u>70,310</u>	<u>171,389</u>	<u>697,413</u>	<u>9,555</u>	<u>706,968</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2007, the Group's turnover increased to approximately RMB1,003,555,000 as compared to approximately RMB528,388,000 for the corresponding period in 2006, representing an increase of approximately RMB475,167,000 or 90%. 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 nine months ended 30 September 2007, the Group's gross profit was approximately RMB219,646,000 and the gross profit margin was approximately 22%. For the corresponding period in 2006, the gross profit was approximately RMB121,063,000 and gross profit margin was 23%.

For the nine months ended 30 September 2007, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB123,910,000 as compared to approximately RMB69,136,000 for the corresponding period in 2006, representing an increase of approximately RMB54,774,000 or 79%. 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 nine months ended 30 September 2007, the Group incurred distribution expenses of approximately RMB63,773,000, as compared to approximately RMB51,979,000 for the corresponding period in 2006, representing an increase of approximately RMB11,794,000. The Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such increase was mainly attributable to the increase in sales volume and increase in transportation expenses.

For the nine months ended 30 September 2007, the Group incurred administrative expenses of approximately RMB18,141,000 as compared to approximately RMB25,508,000 for the corresponding period in 2006, representing a decrease of approximately RMB7,367,000 or 29%. Such decrease was mainly attributable to the tight control of administrative expenses by the Group.

For the nine months ended 30 September 2007, the net finance costs of the Group decreased to approximately RMB16,988,000, as compared to approximately RMB22,664,000 for the corresponding period in 2006, representing a decrease of approximately RMB5,676,000 or 25%. Such decrease was mainly due to the exchange difference caused by appreciation of RMB.

For the nine months ended 30 September 2006, investment income recognized by the Group was approximately RMB53,086,000. Such investment income represented the profit on disposal of a subsidiary, Xianyang Andre Juice Co., Ltd.* (咸陽安德利果蔬汁有限公司).

For the nine months ended 30 September 2007, share of profit from an associate amounted to approximately RMB1,787,000, 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 RMB2,441,000. 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 Nannan Beverage

On 2 October 2007 the Company entered into a share acquisition agreement with Korea Nan Yeung Industrial Co., Ltd. and Qingdao Nannan Co., Ltd.* (青島南南有限公司), whereby subject to certain conditions precedent the Company agreed to purchase (1) from Korea Nan Yeung Industrial Co., Ltd. 19% equity interest of Qing Dao Nannan Beverage Co., Ltd.* (青島南南飲料有限公司) (“Nannan Beverage”) at the cash consideration of US\$570,000 (approximately HK\$4,446,000), and (2) from Qingdao Nannan Co., Ltd.* (青島南南有限公司) 51% equity interest of Nannan Beverage at the cash consideration of US\$1,530,000 (approximately HK\$11,934,000). Upon completion of the share acquisition agreement, the Company would own 70% equity interest of Nannan Beverage whereas Korea Nan Yeung Industrial Co., Ltd. would own 30% equity interest of Nannan Beverage.

Nannan Beverage is a Chinese-foreign equity joint venture company established in the PRC. Nannan Beverage is principally engaged in the production of fruit juice products and vegetable products.

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

At the date of this report, the share acquisition agreement has not yet completed.

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.

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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.

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 280,000 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.

PROPOSED CAPITALIZATION ISSUE

The resolutions about the capitalization issue to the shareholders of H shares and domestic shares on the basis of six (6) capitalization H shares for every five (5) H shares and six (6) capitalization domestic shares for every five (5) domestic shares in issue on 25 October 2007 were duly passed at the special general meeting, H shares class meeting and domestic shares class meeting of the Company held on 25 October 2007. The capitalization shares to be issued pursuant to the capitalization issue will be credited as fully paid by way of capitalization of the Company's share premium account. The Company is now seeking approval from relevant authorities. Dealing of the capitalization shares is expected to commence on 21 November 2007.

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 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 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

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- (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 September 2007, Mr. Zheng Yue Wen and Mr. Wang An, whether directly or through their respective controlled corporations, collectively held more than 40% of the total issued share capital of the Company (not yet taken into account the share transfer as stated in Note (3) under the Section of “Directors’, supervisors’ and chief executive’s interests and short positions in the shares of the Company”). Mr. Zheng Yue Wen and Mr. Wang An are also the executive Directors of the Company.

MATERIAL ACQUISITION AND DISPOSAL

Apart from the acquisition of 51% equity interest of Binzhou Anli Juice Co., Ltd.* 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 nine months ended 30 September 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 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 September 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 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	Number of	Capacity	Type of interest	Approximate	Approximate
		Shares held before Capitalization Issue	Shares held after Capitalization Issue			percentage of Domestic Shares/ H Shares	percentage of total share capital
Zheng Yue Wen <i>(Note 1)</i> <i>(Note 3)</i>	Domestic Shares	279,357,000 (L)	614,585,400 (L)	Interest of controlled corporation	Personal	24.53%	14.41%
Wang An <i>(Note 2)</i> <i>(Note 3)</i>	Domestic Shares	540,047,730 (L)	1,188,105,006 (L)	Interest of controlled corporation	Personal	47.42%	27.85%

Notes:

- (1) As at 30 September 2007, Zheng Yue Wen was taken to be interested in 279,357,000 Domestic Shares (not taking into account the Capitalization Issue) or 614,585,400 Domestic Shares (taking into account the Capitalization Issue) through his 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 September 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 the 30 September 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).
- (2) As at 30 September 2007, Wang An was taken to be interested in 540,047,730 Domestic Shares (not taking into account the Capitalization Issue) or 1,188,105,006 Domestic Shares (taking into account the Capitalization Issue) through his controlled corporations, China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司). As at 30 September 2007, Wang An controlled 90% interest in China Pingan Investment Holdings Limited and 80% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司).
- (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) had entered into agreements to sell all of its shareholding in the Company to the following parties:
 - (a) 40,000,000 Domestic Shares (not taking into account the Capitalization Issue) (or 88,000,000 Domestic Shares (taking into account the Capitalization Issue)) of the Company to Mr. Yung Ka Hee Titus;

- (b) 60,000,000 (not taking into account the Capitalization Issue) (or 132,000,000 Domestic Shares (taking into account the Capitalization Issue)) 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 (not taking into account the Capitalization Issue) (or 394,585,400 Domestic Shares (taking into account the Capitalization Issue)) 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 September 2007 the above transfers had not been completed.

- (4) As stated in the Company's announcement dated 6 August 2007, the Board proposed the Capitalization Issue to the Shareholders on the basis of six (6) Capitalization H Shares for every five (5) H Shares and six (6) Capitalization Domestic Shares for every five (5) Domestic Shares upon capitalization of the share premium account of the Company. The Capitalization Issue is subject to certain conditions. The Capitalization Issue is not yet effective up to 30 September 2007.
- (5) The letter "L" denotes a long position.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 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	Number of Shares	Capacity	Type of interest	Approximate	Approximate
		held before the Capitalization Issue	held after the Capitalization Issue (Note 7)			percentage of Domestic Shares/H Shares	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)	614,585,400 (L)	Interest of controlled corporation (controlling 80% interest of such corporation)	Corporate	24.53%	14.41%
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)	614,585,400 (L)	Interest of controlled corporation (controlling 79% interest of such corporation)	Corporate	24.53%	14.41%

Name of substantial shareholder	Class of Shares	Number of Shares	Number of Shares	Capacity	Type of interest	Approximate	Approximate
		held before the Capitalization Issue	held after the Capitalization Issue (Note 7)			percentage of Domestic Shares/H Shares	percentage of total share capital
Glory Cause 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)	614,585,400 (L)	Beneficial owner	Corporate	24.53%	14.41%
China Pingan Investment Holdings Limited (Note 2)	Domestic Shares	200,690,730 (L)	441,519,606 (L)	Beneficial owner	Corporate	17.62%	10.35%
Shandong Andre Group Co., Ltd.* 山東安德利集團有限公司 (Note 2)	Domestic Shares	339,357,000 (L)	746,585,400 (L)	Beneficial owner	Corporate	29.79%	17.50%
Uni-President Enterprises Corp. 統一企業股份有限公司 (Note 3) (Note 4)	Domestic Shares	369,395,270 (L)	812,669,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	34.43%	19.05%
Cayman President Holdings Ltd. (Note 3) (Note 4)	Domestic Shares	369,395,270 (L)	812,669,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	34.43%	19.05%
Uni-President Asia Holdings Limited (Note 3) (Note 4)	Domestic Shares	369,395,270 (L)	812,669,594 (L)	Interest of controlled corporation (controlling 70% interest of such corporation)	Corporate	34.43%	19.05%
Donghua Fruit Industry Co. Ltd. (Note 3)	Domestic Shares	284,700,000 (L)	626,340,000 (L)	Beneficial owner	Corporate	25.00%	14.68%
President Enterprises (China) Investment Co. Ltd. (Note 4)	Domestic Shares	84,695,270 (L)	186,329,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.43%	4.36%
Chengdu President Enterprises Food Co., Ltd. (Note 4)	Domestic Shares	84,695,270 (L)	186,329,594 (L)	Beneficial owner	Corporate	7.43%	4.36%
Yantai Anlin Fruit Industry Co., Ltd.* 烟台安林果業有限公司 (Note 5)	Domestic Shares	179,357,000 (L)	394,585,400 (L)	Beneficial owner	Corporate	15.74%	9.25%

* For identification purpose only

Name of substantial shareholder	Class of Shares	Number of Shares	Number of Shares	Capacity	Type of interest	Approximate percentage of Domestic Shares/H Shares	Approximate percentage of total share capital
		held before the Capitalization Issue	held after the Capitalization Issue (Note 7)				
Atlantis Investment Management Ltd.	H Shares	190,940,000 (L)	420,068,000 (L)	Investment manager	Corporate	23.87%	9.85%
IFC	H Shares	50,000,000 (L)	110,000,000 (L)	Beneficial owner	Corporate	6.24%	2.57%
INVESCO Hong Kong Limited (previously known as INVESCO Asia Limited) in its capacity as manager/ advisor of various accounts	H Shares	70,680,000 (L)	155,496,000 (L)	Investment manager	Corporate	8.83%	3.65%
Mitsui & Co., Ltd.	H Shares	97,000,000 (L)	213,400,000 (L)	Beneficial owner	Corporate	12.12%	5.00%
Everest Capital Limited	H Shares	48,260,000 (L)	106,172,000 (L)	Investment manager	Corporate	6.03%	2.48%
JP Morgan Chase & Co. (Note 6)	H Shares	57,818,100 (L)	127,199,820 (L)	Investment manager and custodian	Corporate	7.22%	2.98%
JP Morgan Chase Bank, N.A. (Note 6)	H Shares	54,773,100 (L)	120,500,820 (L)	Custodian	Corporate	6.84%	2.82%
HSBC Investments (Hong Kong) Limited	H Shares	40,940,000 (L)	90,068,000 (L)	Investment manager	Corporate	5.11%	2.11%

Notes:

- (1) As at 30 September 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 September 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 September 2007, Wang An controlled 90% interest in China Pingan Investment Holdings Limited and 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 September 2007, Donghua Fruit Industry Co. Ltd. was controlled (as to 70%) by Uni-President Asia Holdings Limited, a corporation which was 100% controlled by Cayman President Holdings Ltd., which was in turn 100% controlled by Uni-President Enterprises Corp. (統一企業股份有限公司).

- (4) As at 30 September 2007, Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司), was 100% controlled by President Enterprises (China) Investment Co. Ltd., which was in turn 100% controlled by Uni-President Asia Holdings Limited. Uni-President Asia Holdings Limited was 100% controlled by Cayman President Holdings Ltd., which was in turn 100% controlled by Uni-President Enterprises Corp. (統一企業股份有限公司).
- (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). 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) JP Morgan Chase & Co. held 57,818,100 H Shares (not taking into account the Capitalization Issue) (3,045,000 H Shares in the capacity of investment manager and 54,773,100 H Shares in the capacity of custodian), representing 7.22% of the total H Shares and 2.98% of the total share capital of the Company respectively. The 54,773,100 H Shares were directly held by JP Morgan Chase Bank, N.A., a corporation 100% controlled by JP Morgan Chase & Co. The 3,045,000 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) As stated in the Company’s announcement dated 6 August 2007, the Board proposed the Capitalization Issue to the Shareholders on the basis of six (6) Capitalization H Shares for every five (5) H Shares and six (6) Capitalization Domestic Shares for every five (5) Domestic Shares upon capitalization of the share premium account of the Company. The Capitalization Issue is subject to certain conditions. The Capitalization Issue is not yet effective up to 30 September 2007.
- (8) 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.

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 quarterly results for the nine months ended 30 September 2007, with the Directors.

* For identification purpose only

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*)

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

Yantai, the PRC, 6 November 2007