



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 2008

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

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

The 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 GEM 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 2008, with the comparatives of the corresponding periods in 2007, as follows:

Consolidated Income Statement

	Note	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	2	443,666	303,739	976,278	628,539
Cost of sales		(328,937)	(254,348)	(701,986)	(522,265)
Gross profit		114,729	49,391	274,292	106,274
Other operating income		1,652	4,731	12,099	6,494
Distribution expenses		(22,892)	(13,686)	(44,793)	(28,605)
Administrative expenses		(13,626)	(4,029)	(22,764)	(9,761)
Other operating expenses		(817)	(1,240)	(895)	(1,458)
Profit from operations		79,046	35,167	217,939	72,944
Net finance costs	3(a)	(7,711)	(2,576)	(12,601)	(11,345)
Investment income	4	77,152	-	77,152	-
Share of profit from an associate		980	1,323	1,683	2,038
Profit before taxation	3	149,467	33,914	284,173	63,637
Income tax	5	(25,362)	(1,021)	(47,428)	(2,641)
Profit for the period		124,105	32,893	236,745	60,996
Attributable to:					
Equity shareholders of the Company		124,104	32,576	235,107	60,503
Minority interests		1	317	1,638	493
Profit for the period		124,105	32,893	236,745	60,996
Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period	6	29,859	27,133	29,859	27,133
Basic and diluted earnings per share	7	RMB0.029	RMB0.008	RMB 0.055	RMB0.015

* For identification purpose only

Consolidated Balance Sheet

	<i>Note</i>	Unaudited 30 June 2008 RMB '000	Audited 31 December 2007 RMB '000
ASSETS			
Non-current assets			
Property, plant and equipment	8	800,774	774,104
Lease prepayments		95,107	68,741
Interest in an associate		64,879	63,196
Goodwill		1,452	1,452
Total non-current assets		<u>962,212</u>	<u>907,493</u>
Current assets			
Inventories		696,347	1,317,130
Trade receivables	10	239,107	329,626
Other receivables and prepayments		263,411	201,445
Cash and cash equivalents	11	188,046	97,597
Total current assets		<u>1,386,911</u>	<u>1,945,798</u>
Total assets		<u>2,349,123</u>	<u>2,853,291</u>
EQUITY AND LIABILITIES			
Current liabilities			
Short-term bank loans		826,656	1,061,064
Trade payables	12	104,228	215,714
Other payables and accrued expenses		156,608	127,405
Income tax payable		48,208	26,713
Total current liabilities		<u>1,135,700</u>	<u>1,430,896</u>
Net current assets		<u>251,211</u>	<u>514,902</u>
Total assets less current liabilities		<u>1,213,423</u>	<u>1,422,395</u>
Non-current liabilities			
Long-term bank loans		–	328,707
Other long-term liabilities		249	249
Total non-current liabilities		<u>249</u>	<u>328,956</u>
Total liabilities		<u>1,135,949</u>	<u>1,759,852</u>
CAPITAL AND RESERVES			
Paid-in capital	13	426,554	426,554
Reserves		777,770	595,748
Total equity attributable to equity shareholders of the Company		<u>1,204,324</u>	<u>1,022,302</u>
Minority interests		8,850	71,137
Total equity		<u>1,213,174</u>	<u>1,093,439</u>
Total equity and liabilities		<u>2,349,123</u>	<u>2,853,291</u>

Condensed Consolidated Cash Flow Statement

Unaudited
For the six months
ended 30 June

	2008	2007
	RMB'000	RMB'000
Net cash inflow from operating activities	763,642	466,055
Net cash used in investing activities	(80,262)	(186,389)
Net cash inflow before financing activities	683,380	279,666
Net cash used in financing activities	(592,931)	(205,295)
Net increase in cash and cash equivalents	90,449	74,371
Cash and cash equivalents at beginning of the period	97,597	58,432
Cash and cash equivalents at end of the period	188,046	132,803
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	106,046	132,803
Fixed deposits with banks and other financial institutions	82,000	–

Consolidated Statement of Changes in Equity – unaudited

	<i>Note</i>	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 2008		426,554	10	166,761	107,038	321,939	1,022,302	71,137	1,093,439
Acquisition of a subsidiary		–	–	–	–	–	–	8,849	8,849
Acquisition of minority interests	9	–	–	(23,226)	–	–	(23,226)	(72,774)	(96,000)
Profit for the period		–	–	–	–	235,107	235,107	1,638	236,745
Dividends to equity shareholders of the Company		–	–	–	–	(29,859)	(29,859)	–	(29,859)
Balance as at 30 June 2008		426,554	10	143,535	107,038	527,187	1,204,324	8,850	1,213,174
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

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 2007.

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

Turnover primarily represents income arising from the sale of condensed juice net of value added tax. The Directors consider that the Group principally operates within a single business and no business segment information is presented.

The geographical segment information of the Group’s turnover based on the geographical location of customers is as follows:

	Unaudited		Unaudited	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2008	2007	2008	2007
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
North America	134,022	98,315	534,726	293,948
Europe	125,803	108,232	206,621	173,258
Others	183,841	97,192	234,931	161,333
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Total	443,666	303,739	976,278	628,539
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3. Profit before taxation

Profit 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	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
(a) Net finance costs:				
Interest expenses on bank loans repayable within five years	11,355	14,032	30,185	31,413
Bank charges	237	267	421	437
Exchange gain	(3,742)	(10,296)	(17,753)	(15,958)
Interest income	(139)	(1,427)	(252)	(4,547)
(b) Other item:				
Depreciation	14,662	3,861	44,014	11,977

4. Investment income

During the period ended 30 June 2008, the Group entered into an agreement in relation to the transfer of 50% equity interest in its subsidiary, Yongji Andre Juice Co., Ltd.* (永濟安德利果蔬汁有限公司) (“Yongji Andre”), to AGRANA Juice GmbH (“AGRANA”), for a total consideration of EUR11,000,000. The investment income recognised for the period ended 30 June 2008 arising from this disposal represents the difference between the consideration received and the carrying amount of the interests disposed of. After the completion of this transfer, Yongji Andre has become a jointly controlled entity of the Company. Such consideration should be paid in cash but not yet received by 30 June 2008.

The Group’s effective interests of assets and liabilities disposed of in 2008 are analysed as follows:

	Unaudited 30 June 2008 RMB'000
Property, plant and equipment	45,604
Lease prepayments	2,617
Inventories	6,915
Other receivables and prepayments	2,939
Cash and cash equivalents	116
Trade payables	(5,115)
Other payables and accrued expenses	(9,892)
Income tax payable	(1,203)
Net assets	<u>41,981</u>

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5. Income tax

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, the applicable tax rate of the Company and certain subsidiaries (other than Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司) and Baishui Andre Bio-feed Stuff Co., Ltd.* (白水安德利生物飼料有限公司)) has been changed to 25% from 1 January 2008. Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司) and Baishui Andre Bio-feed Stuff Co., Ltd.* (白水安德利生物飼料有限公司) can continue to enjoy a preferential tax rate of 15%. In accordance with the relevant PRC tax rules and regulations, certain of the Company's subsidiaries are exempt from PRC income tax for two consecutive years starting from their first profit-making year, and are entitled to a 50% relief on PRC income tax for the following three years.

The subsidiary operating in the United States of America is subject to income tax at the appropriate current rates of taxation ruling in the United States of America.

6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

Pursuant to a resolution passed at the annual general meeting of the Company on 19 May 2008, a dividend payable to equity shareholders of the Company totaling RMB29,859,000 for 2007 was approved.

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

7. Earnings per share

The calculation of basic and diluted earnings per share for the three months and the six months ended 30 June 2008 is based on the unaudited profit attributable to equity shareholders of the Company of approximately RMB124,104,000 and RMB235,107,000, respectively (for the three months and six months ended 30 June 2007, the unaudited profit attributable to equity shareholders of the Company was approximately RMB32,576,000 and RMB60,503,000, respectively) and the weighted average of 4,265,536,000 shares in issue during the three months and the six months ended 30 June 2008 (for the three months and the six months ended 30 June 2007, the weighted average number of shares in issue was 3,979,536,000 after adjusting for the capitalization issue in November 2007).

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

8. Property, plant and equipment

During the six months ended 30 June 2008, the Group had additions to property, plant and equipment amounting to approximately RMB116,288,000 (six months ended 30 June 2007: RMB69,037,000), of which RMB16,416,000 was from the acquisition of a subsidiary. Disposals of property, plant and equipment as a result of the disposal of 50% equity interest in Yongji Andre amounted to approximately RMB45,604,000 (six months ended 30 June 2007: Nil).

9. Acquisition of minority interests

On 1 April 2008, the Group completed the acquisition of the remaining 49% equity interest in Binzhou Andre Juice Co., Ltd.* (濱州安德利果汁飲料有限公司) (“Binzhou Andre”) at a consideration of RMB96,000,000, which should be satisfied in cash but not yet paid by 30 June 2008. The carrying amount of the remaining 49% equity interest in Binzhou Andre in the consolidated financial statements on the date of the acquisition was approximately RMB72,774,000. The Group recognised a decrease in minority interest of approximately RMB72,774,000 and a decrease in share premium of approximately RMB23,226,000.

10. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 <i>RMB'000</i>
Within 3 months	188,470	329,175
Over 3 months but less than 6 months	32,221	284
Over 6 months	18,416	167
Total	239,107	329,626

Customers are generally granted credit terms of 3 to 6 months, depending on the credit standing of individual customers.

11. Cash and cash equivalents

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 <i>RMB'000</i>
Fixed deposits with banks and other financial institutions	82,000	–
Cash at bank and in hand	106,046	97,597
Total	188,046	97,597

12. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Within 6 months	95,063	214,325
Over 6 months but less than 1 year	8,768	461
Over 1 year	397	928
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Total	104,228	215,714
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13. Paid-in capital

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Registered:		
2,505,360,000 (2007: 1,138,800,000) Domestic shares of RMB0.10 each (2007: RMB0.10 each)	250,536	113,880
1,760,176,000 (2007: 670,080,000) H shares of RMB0.10 each (2007: RMB0.10 each)	176,018	67,008
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Total	426,554	180,888
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Issued and fully paid:		
2,505,360,000 (2007: 2,505,360,000) Domestic shares of RMB0.10 each (2007: RMB0.10 each)	250,536	250,536
1,760,176,000 (2007: 1,760,176,000) H shares of RMB0.10 each (2007: RMB0.10 each)	176,018	176,018
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	426,554	426,554
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14. Commitments

As at 30 June 2008, 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 2008 RMB'000	Audited 31 December 2007 RMB'000
Contracted for	8,250	15,476

15. Related party transactions

During the six months ended 30 June 2008, the Group entered into the following material related party transactions:

	Unaudited for the six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Sales to the jointly controlled entity	—	1,678
Purchase from the jointly controlled entity	49	42,370
Sales to the associate	2,804	3,169

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2008, the Group's turnover increased to approximately RMB976,278,000 as compared to approximately RMB628,539,000 for the corresponding period in 2007, representing an increase of approximately RMB347,739,000 or 55%. 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 selling price of apple juice concentrate. The increase in selling price was mainly attributable to the market demand of the Group's products.

For the six months ended 30 June 2008, the Group's gross profit was approximately RMB274,292,000 and the gross profit margin was approximately 28%. For the corresponding period in 2007, the gross profit was approximately RMB106,274,000 and gross profit margin was 17%.

For the six months ended 30 June 2008, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) increased to approximately RMB235,107,000 as compared to approximately RMB60,503,000 for the corresponding period in 2007, representing an increase of approximately RMB174,604,000 or 289%. The increase in net profit was mainly attributable to the increase in selling price of the Group's products.

For the six months ended 30 June 2008, the other operating income of the Group was approximately RMB12,099,000, as compared to approximately RMB6,494,000 for the corresponding period in 2007, representing an increase of approximately RMB5,605,000. Such increase was mainly attributable to the Group's acquisition of the equity interests in Qingdao Nannan Beverage Co., Ltd.* (青島南南飲料有限公司) ("Qingdao Nannan") on 31 March 2008, when the fair value of the identified net assets of the target company exceeded the acquisition price by approximately RMB9,908,000.

For the six months ended 30 June 2008, the Group incurred distribution expenses of approximately RMB44,793,000, as compared to approximately RMB28,605,000 for the corresponding period in 2007, representing an increase of approximately RMB16,188,000. The Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such increase was mainly attributable to the increase in land transport unit cost, export inspection expenses and storage fees.

For the six months ended 30 June 2008, the Group incurred administration expenses of approximately RMB22,764,000 as compared to approximately RMB9,761,000 for the corresponding period in 2007, representing an increase of approximately RMB13,003,000 or 133%. Such increase was mainly attributable to the commencement of operation of Yongji Andre in the second half of 2007, the completion of acquisition of Binzhou Andre in June 2007 and also the completion of the acquisition of Qingdao Nannan in March 2008 which led to an increase in general administrative expenses in 2008.

For the six months ended 30 June 2008, the investment income of the Group was approximately RMB77,152,000. On 28 February 2008, the Group entered into a share transfer agreement with AGRANA for the disposal of 50% equity interest in Yongji Andre. The above share transfer was completed on 30 June 2008.

Business Review

Cooperation with International Financial Institutions

Under the trend of continued appreciation of Renminbi against US dollar, the Group has enhanced its cooperation with international renowned financial institutions to appropriately increase the proportion of US dollar in the loan portfolio as a whole. The Directors believe that such long-term and short-term US dollar funding arrangements can reduce the Group's exchange rate risk and finance cost, and can facilitate better business development.

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 customer profiles by taking advantage of the insufficient product supply in recent years. Currently, the customer base of the Company mainly comprises the renowned beverage manufacturers of the world.

Cooperation with International Renowned Enterprises

On 28 February 2008, the Group entered into a share transfer agreement with AGRANA, a wholly owned subsidiary of AGRANA AG, for the disposal of 50% equity interest in its subsidiary, Yongji Andre, to AGRANA. AGRANA AG is one of the world's leaders in fruit preparations and Europe's largest manufacturer of fruit juice concentrates. The Directors are of the view that with the experience of AGRANA in the fruit preparations and fruit juice concentrates sectors, the further strategic alliance with AGRANA in Yongji Andre, in addition to its strategic alliance with the Company in Xianyang Andre, will provide more opportunities to the Company to further develop its markets and distribution channels in Europe as well as in other international markets, thereby enhancing the market capabilities and sales volume of the Company. The above share transfer was completed on 30 June 2008.

Further Acquisition of Binzhou Andre

On 17 March 2008, the Group (as purchaser) entered into a share acquisition agreement with Korea Jeong Soo Andre Co., Ltd. (as vendor), whereby subject to certain conditions precedent, the Group agreed to purchase from Korea Jeong Soo Andre Co., Ltd. 49% equity interest in Binzhou Andre. Binzhou Andre was 51% owned by the Group before the above transaction and had become a wholly owned subsidiary of the Group upon completion. The Board considers that the above acquisition represents a good opportunity for the Company to increase its production capacity and to obtain better control and management of Binzhou Andre. The above share acquisition was completed on 1 April 2008.

Future Prospects

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 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.

Development of Financing Channels

With the continued appreciation of Renminbi against US dollar, the Group will actively engage in cooperation with international financial institutions to diversify its financing channels, enlarge financing means, especially with regard to long-term US dollar funding arrangements which may facilitate the reduction of the Group's exchange rate risk and finance cost, improve capital structure, strengthen risk-resistant capability and at the same time enhance the Group's business development.

Further Increase Juice Production Capacity

To meet the growing demand for juice concentrate both in local and overseas markets, the Group will continue to increase and expand its production lines and to increase its production capacity. The Group plans to build a new production line at Xianyang Andre and to renovate a production line at Muping Andre so as to expand its production capacity. Upon completion of such expansion, the Group will then have 13 modern production lines for fruit juice, and reach an annual production capacity of 310,000 tonnes (including controlled and jointly controlled entities) before the start of the new pressing season.

Construction of Production Lines for Fruit Pulp

To meet increasing demand for apple pulp in the international market, the Group plans to build a new production line for apple pulp with an annual capacity of 10,000 tonnes at the present Muping production base, so as to increase the product variety of the Group and to improve corporate effectiveness.

Accelerate Pace for Acquisition and Merger

The Group will continue to target small and medium enterprises in the industry, domestic or abroad, to further increase the Group's annual production capacity for juice concentrate through capital activities such as merger and acquisition, and to strengthen its leading position in the industry.

Enhance Pectin Production Capacity

The pectin production equipment of the Yantai plant with an annual production capacity of 2,000 tonnes has successfully commenced mass production. On the basis of the successful mass production of the current pectin production line, the Group is planning to start the construction of the second pectin production line as soon as possible to lift the production capacity of pectin to 4,000 tonnes per annum, with a view to increasing pectin production capacity as soon as possible to achieve economy of scale.

Continue Development of Traceability and Farm Management Improvement Linkages Project

With five trial villages (with 1,747 acreages) in Yantai successfully recognized by EUREPGAP in 2007, the Group will experiment with trial villages in Xianyang district of Shanxi Province to implement EUREPGAP projects, so as to gain expertise, and build a solid foundation for large scale promotion for such projects.

Product Diversification for Pectin Products

The Group will strive to apply as later rolling projects under the National Science and Technology Support Program of the “11th Five-Year Plan” to develop more than 10 new products, among them, low methoxyl pectin, amidated low methoxyl pectin, citrous pectin and compound collid, so as to achieve pectin product diversification and maximization of product effectiveness.

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 then 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 H 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 then 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

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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 then 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; or
- (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 2008, Mr. Wang An, whether directly or through his controlled corporations, held approximately 27.85% of the total issued share capital of the Company and was the single largest shareholder of the Company. Mr. Zheng Yue Wen ceased to have any equity interest in the Company since 27 March 2008. Both Mr. Zheng Yue Wen and Mr. Wang An are also executive Directors of the Company.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2008, the Group had a total of 1,156 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 proposed a final dividend of RMB0.007 per share for the year ended 31 December 2007. The proposal to declare and pay this final dividend was passed at the annual general meeting of the Company held on 19 May 2008.

The Board proposed not to distribute interim dividend for the period ended 30 June 2008.

SIGNIFICANT INVESTMENT

There was no significant investment made by the Group during the six months ended 30 June 2008.

MATERIAL ACQUISITION AND DISPOSAL

The Company entered into/completed the following material acquisition and disposal during the six months ended 30 June 2008:

- (i) disposal of 50% equity interest in Yongji Andre to AGRANA, a wholly owned subsidiary of AGRANA AG pursuant to a share transfer agreement entered into on 28 February 2008 (such disposal was completed on 30 June 2008);
- (ii) acquisition of 49% equity interest in Binzhou Andre from Korea Jeong Soo Andre Co., Ltd. pursuant to a share acquisition agreement entered into on 17 March 2008 (such acquisition was completed on 1 April 2008); and
- (iii) acquisition of 70% equity interest in Qingdao Nannan from Qingdao Nannan Co., Ltd.* (青島南南有限公司) and Korea Nan Yeung Industrial Co., Ltd. pursuant to a share acquisition agreement entered into on 2 October 2007 (such acquisition was completed on 31 March 2008).

Apart from the above transactions, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the period ended 30 June 2008.

CONTINGENT LIABILITIES

As at 30 June 2008, the Directors were not aware of any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2008, the Group did not have any charge on its assets.

* For identification purpose only

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 2008, the Group had outstanding bank loans amounted to approximately RMB826,656,000, of which RMB329,371,000 was borrowed at interest rates ranging from 5.58% to 7.47%, RMB462,989,000 was borrowed at interest rates ranging from LIBOR + 0.7% to LIBOR +1.8%, and RMB34,296,000 was borrowed at SIBOR +1.35%.

As at 30 June 2008, the Group had a net cash and cash equivalent position of approximately RMB188,046,000. The Group's gearing ratio at 30 June 2008 was approximately 48% (30 June 2007: approximately 55%) which was calculated based on the Group's total liabilities of approximately RMB1,135,949,000 (30 June 2007: approximately RMB912,012,000) and total equity and liabilities of approximately RMB2,349,123,000 (30 June 2007: approximately RMB1,653,412,000). 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 and Euro. It is the practice of the Group to convert its operating revenue denominated in US dollars and Euro 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 2008, 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 2008, 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 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	Approximate
					percentage of domestic shares/ H shares	percentage of total share capital
Wang An (Note 1)	Domestic shares	1,188,105,006 (L)	Interest of controlled corporations	Personal	47.42%	27.85%

Notes:

- (1) As at 30 June 2008, Mr. Wang An, a director of the Company, 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). By an agreement dated 29 May 2007, Shandong Andre Group Co., Ltd.* agreed to purchase and Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司), a company previously controlled by Mr. Zheng Yue Wen, a director of the Company, agreed to sell, among other things, 60,000,000 domestic shares (which after completion of the placing on 16 July 2007 and the capitalization issue on 19 November 2007 amounted to 132,000,000 domestic shares) in the Company, subject to approval by the relevant PRC government authority. On 27 March 2008, such transfer was approved by the relevant government authority. Upon completion of the transfer from Glory Cause Land Afforestation Co., Ltd.*, the aggregate interest in shares of Mr. Wang An through his controlled corporations, namely, China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* amounted to 1,188,105,006 domestic shares, representing approximately 27.85% of the total share capital of the Company as at 30 June 2008.
- (2) The letter "L" denotes a long position.

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

As at 30 June 2008, 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
China Pingan Investment Holdings Limited <i>(Note 2)</i>	Domestic shares	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 <i>(Note 2)</i>	Domestic shares	746,585,400 (L)	Beneficial owner	Corporate	29.80%	17.50%
HSBC International Trustee Limited <i>(Note 3)</i>	Domestic shares	626,340,000 (L)	Trustee	Corporate	25.00%	14.68%
Prosper United Limited <i>(Note 3)</i>	Domestic shares	626,340,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.00%	14.68%
ACME Team International Limited <i>(Note 3)</i>	Domestic shares	626,340,000 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	25.00%	14.68%
Donghua Fruit Industry Co., Ltd. <i>(Note 3)</i>	Domestic shares	626,340,000 (L)	Beneficial owner	Corporate	25.00%	14.68%

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
Uni-President Enterprise Corp. 統一企業股份有限公司 (Note 4)	Domestic shares	186,329,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.44%	4.37%
Cayman President Holdings Ltd. (Note 4)	Domestic shares	186,329,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.44%	4.37%
Uni-President Asia Holdings Limited 統一亞洲控股有限公司 (Note 4)	Domestic shares	186,329,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.44%	4.37%
President Enterprises (China) Investment Co. Ltd. 統一企業(中國)投資有限公司 (Note 4)	Domestic shares	186,329,594 (L)	Interest of controlled corporation (controlling 100% interest of such corporation)	Corporate	7.44%	4.37%
Chengdu President Enterprises Food Co., Ltd. 成都統一企業食品有限公司 (Note 4)	Domestic shares	186,329,594 (L)	Beneficial owner	Corporate	7.44%	4.37%
Yantai Anlin Fruit Industry Co., Ltd.* 烟台安林果業有限公司 (Note 5)	Domestic shares	394,585,400 (L)	Beneficial owner	Corporate	15.75%	9.25%
Atlantis Investment Management Ltd.	H shares	440,068,000 (L)	Investment manager	Corporate	25.00%	10.32%
Invesco Hong Kong Limited (previously known as Invesco Asia Limited)	H shares	158,781,000 (L)	Investment manager	Corporate	9.02%	3.72%
JP Morgan Chase & Co. (Note 6)	H shares	129,420,820 (L) 129,420,820 (P)	Custodian corporation/ approved lending agent	Corporate	7.35%	3.03%

* 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
Mitsui & Co., Ltd. (Note 7)	H shares	213,400,000 (L)	Beneficial owner	Corporate	12.12%	5.00%
International Finance Corporation (Note 7)	H shares	110,000,000 (L)	Beneficial owner	Corporate	6.25%	2.58%
Everest Capital Limited (Note 7)	H shares	106,172,000 (L)	Beneficial owner	Corporate	6.03%	2.49%
HSBC Investments (Hong Kong) Limited (Note 7)	H shares	90,068,000 (L)	Investment manager	Corporate	5.12%	2.11%

Notes:

The above information relating to substantial shareholders of H shares is based on the information available on the website of the Stock Exchange.

- (1) The letter “L” denotes a long position; the letter “P” denotes a lending pool.
- (2) As at 30 June 2008, Mr. Wang An, a director of the Company, 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). By an agreement dated 29 May 2007, Shandong Andre Group Co., Ltd.* agreed to purchase and Glory Cause Land Afforestation Co., Ltd.*, a company previously controlled by Mr. Zheng Yue Wen, a director of the Company, agreed to sell, among other things, 60,000,000 domestic shares (which after completion of the placing on 16 July 2007 and the capitalization issue on 19 November 2007 amounted to 132,000,000 domestic shares) in the Company, subject to approval by the relevant PRC government authority. On 27 March 2008, such transfer was approved by the relevant government authority. Upon completion of the transfer from Glory Cause Land Afforestation Co., Ltd.*, the aggregate interest in shares of Mr. Wang An through his controlled corporations, namely, China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* amounted to 1,188,105,006 domestic shares, representing approximately 27.85% of the total share capital of the Company as at 30 June 2008.
- (3) As at 30 June 2008, Donghua Fruit Industry Co. Ltd. was 100% controlled by ACME Team International Limited, a corporation which was 100% controlled by Prosper United Limited, which was in turn 100% controlled by HSBC International Trustee Limited.
- (4) As at 30 June 2008, 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. (統一企業(中國)投資有限公司), which was in turn 100% controlled by Uni-President Asia Holdings Limited (統一亞洲控股有限公司). Uni-President Asia Holdings Limited (統一亞洲控股有限公司) 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) By an agreement dated 29 May 2007, Yantai Anlin Fruit Industry Co., Ltd.* agreed to purchase and Glory Cause Land Afforestation Co., Ltd.*, a company previously controlled by Mr. Zheng Yue Wen, a director of the Company, agreed to sell, among other things, 179,357,000 domestic shares (which after completion of the placing on 16 July 2007 and the capitalization issue on 19 November 2007 amounted to 394,585,400 domestic shares) in the Company, subject to approval by the relevant PRC government authority. On 27 March 2008, such transfer was approved by the relevant government authority. Upon completion of the transfer from Glory Cause Land Afforestation Co., Ltd.*, the interest in shares of Yantai Anlin Fruit Industry Co., Ltd.* in the Company amounted to approximately 9.25% of the total share capital of the Company as at 30 June 2008.
- (6) JP Morgan Chase & Co. held 129,420,820 H shares representing 7.35% of the total H shares and 3.03% of the total share capital of the Company respectively. The 129,420,820 H shares were directly held by JP Morgan Chase Bank N.A, a corporation 100% controlled by JP Morgan Chase & Co..
- (7) Information relating to these shareholders is based on the information disclosed on the website of the Stock Exchange prior to completion of the capitalization issue on 19 November 2007 as adjusted by the changes in the share capital of the Company upon completion of the capitalization issue.

COMPETING INTERESTS

None of the Directors, the controlling 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 practices of the Company.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the reporting period.

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 2008 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, the 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.

* For identification purpose only

All Directors, upon specific enquiries, have confirmed that they have complied with the Required Standard during the six-month period ended 30 June 2008.

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 2008.

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 2008 with the Directors.

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. 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, 12 August 2008