



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 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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 (the “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 the six months ended 30 June 2009, with the comparatives of the corresponding periods in 2008, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	2	160,849	443,666	291,043	976,278
Cost of sales		(130,143)	(328,937)	(247,873)	(701,986)
Gross profit		30,706	114,729	43,170	274,292
Other operating income		2,444	1,652	12,445	12,099
Distribution expenses		(9,103)	(22,892)	(15,164)	(44,793)
Administrative expenses		(8,110)	(13,626)	(16,902)	(22,764)
Other operating expenses		(215)	(817)	(833)	(895)
Profit from operations		15,722	79,046	22,716	217,939
Net finance costs		(10,670)	(7,711)	(17,779)	(12,601)
Investment income		–	77,152	–	77,152
Share of profit from an associate		(371)	980	1,137	1,683
Profit before taxation	3	4,681	149,467	6,074	284,173
Income tax	4	(2,378)	(25,362)	9,185	(47,428)
Profit for the period		2,303	124,105	15,259	236,745
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		2,303	124,105	15,259	236,745

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		Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
	Note	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Profit attributable to:					
Equity shareholders of the Company		2,283	124,104	15,630	235,107
Minority interests		20	1	(371)	1,638
Profit for the period		2,303	124,105	15,259	236,745
Total comprehensive income attributable to:					
Equity shareholders of the Company		2,283	124,104	15,630	235,107
Minority interests		20	1	(371)	1,638
Total comprehensive income for the period		2,303	124,105	15,259	236,745
Dividends in respect of previous financial year, approved during the period	5	29,859	29,859	29,859	29,859
Basic and diluted earnings per share	6	RMB0.001	RMB0.029	RMB0.004	RMB0.055

Condensed Consolidated Statement of Financial Position

	<i>Note</i>	Unaudited 30 June 2009 RMB '000	Audited 31 December 2008 RMB '000
ASSETS			
Non-current assets			
Property, plant and equipment	7	844,501	830,801
Lease prepayments		103,766	101,028
Interest in an associate		68,369	67,232
Goodwill		1,452	1,452
Deferred tax assets		2,715	26,903
Total non-current assets		1,020,803	1,027,416
Current assets			
Inventories		689,240	901,740
Trade receivables	8	102,948	84,589
Other receivables and prepayments		126,117	86,858
Restricted deposits		714	17,697
Cash and cash equivalents	9	83,583	114,114
Total current assets		1,002,602	1,204,998
Total assets		2,023,405	2,232,414
EQUITY AND LIABILITIES			
Current liabilities			
Bank loans		476,533	856,775
Trade payables	10	56,043	95,620
Other payables and accrued expenses		106,015	109,646
Current tax liabilities		14,070	29,465
Dividend payable		26,768	–
Total current liabilities		679,429	1,091,506
Net current assets		323,173	113,492
Total assets less current liabilities		1,343,976	1,140,908
Non-current liabilities			
Bank loans		225,453	–
Deferred tax liabilities		–	7,785
Other long-term liabilities		249	249
Total non-current liabilities		225,702	8,034
Total liabilities		905,131	1,099,540
CAPITAL AND RESERVES			
Share capital	11	426,554	426,554
Reserves		684,541	698,770
Total equity attributable to equity shareholders of the Company		1,111,095	1,125,324
Minority interests		7,179	7,550
Total equity		1,118,274	1,132,874
Total equity and liabilities		2,023,405	2,232,414

Condensed Consolidated Statement of Cash Flows

Unaudited
For the six months
ended 30 June

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Net cash generated from operating activities	192,336	763,642
Net cash used in investing activities	(63,490)	(80,262)
Net cash used in financing activities	(159,377)	(592,931)
Net (decrease)/increase in cash and cash equivalents	(30,531)	90,449
Cash and cash equivalents at beginning of the period	114,114	97,597
Cash and cash equivalents at end of the period	83,583	188,046
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	83,583	106,046
Fixed deposits with banks and other financial institution	–	82,000
Total	83,583	188,046

Condensed Consolidated Statement of Changes in Equity (unaudited)

	Share capital <i>RMB '000</i>	Capital surplus <i>RMB '000</i>	Share premium <i>RMB '000</i>	Statutory reserves <i>RMB '000</i>	Retained earnings <i>RMB '000</i>	Total equity attributable to equity shareholders of the Company <i>RMB '000</i>	Minority interests <i>RMB '000</i>	Total equity <i>RMB '000</i>
Balance as at 1 January 2009	426,554	10	143,535	122,785	432,440	1,125,324	7,550	1,132,874
Total comprehensive income for the period	-	-	-	-	15,630	15,630	(371)	15,259
Dividends to equity shareholders of the Company	-	-	-	-	(29,859)	(29,859)	-	(29,859)
Balance as at 30 June 2009	<u>426,554</u>	<u>10</u>	<u>143,535</u>	<u>122,785</u>	<u>418,211</u>	<u>1,111,095</u>	<u>7,179</u>	<u>1,118,274</u>
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	-	-	(23,226)	-	-	(23,226)	(72,774)	(96,000)
Total comprehensive income 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	<u>426,554</u>	<u>10</u>	<u>143,535</u>	<u>107,038</u>	<u>527,187</u>	<u>1,204,324</u>	<u>8,850</u>	<u>1,213,174</u>

Notes:

1. Basis of preparation and accounting policies

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

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 2008.

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the 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.

No segment information is presented during the period as the Group is principally engaged in one operating segment which is the manufacture and sale of condensed juice and related products. The Group operates in the People’s Republic of China (“PRC”) and its major assets are located in the PRC.

The following is an analysis of the Group’s turnover by geographical markets:

	Unaudited		Unaudited	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2009	2008	2009	2008
	RMB’000	RMB’000	RMB’000	RMB’000
North America	62,769	134,022	95,112	534,726
Europe	76,927	125,803	160,242	206,621
Others	21,153	183,841	35,689	234,931
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Total	160,849	443,666	291,043	976,278
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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	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Depreciation of property, plant and equipment	21,150	14,662	41,621	44,014
Interest expenses on bank loans repayable within five years	8,558	11,355	16,741	30,185
Reversal of write-down of inventories	12,717	–	12,717	–
Amortisation of lease prepayments	593	353	1,206	1,332
Interest income	(1,341)	(139)	(1,434)	(252)
Exchange gains	(109)	(3,742)	(1,193)	(17,753)

4. Income tax

According to the Corporate Income Tax Law of the PRC (the “New Tax Law”) which took effect on 1 January 2008, the applicable tax rate of the Company and all of the subsidiaries other than Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司) and Xianyang Andre Juice Co., Ltd.* (咸陽安德利果蔬汁有限公司) is 25% from 1 January 2008. Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司) and Xianyang Andre Juice Co., Ltd.* (咸陽安德利果蔬汁有限公司) can continue to enjoy a preferential tax rate of 15% till the end of 2010. 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 (“Tax Holidays”). Pursuant to the transitional arrangement under the New Tax Law, certain subsidiaries will continue to enjoy the tax-exemption or 50% relief on the applicable income tax rate under the New Tax Law until the expiry of the Tax Holidays previously granted, and thereafter they are subject to the unified rate of 25%. For those enterprises whose preferential tax treatment had not commenced due to lack of taxable profit, such preferential tax treatment would commence from 1 January 2008.

According to the New Tax Law, income derived from primary processing of agricultural produce is exempt from the PRC income tax. During the six months ended 30 June 2009, the production of condensed juice and bio-feedstuff of the Company and certain of its subsidiaries, including Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司), Xuzhou Andre Juice Co., Ltd.* (徐州安德利果蔬汁有限公司), Yantai Longkou Andre Juice Co., Ltd.* (烟台龍口安德利果汁飲料有限公司), Dalian Andre Juice Co., Ltd.* (大連安德利果蔬汁有限公司), Binzhou Andre Juice Co., Ltd.* (濱州安德利果汁飲料有限公司), Baishui Andre Bio-feedstuff Co., Ltd.* (白水安德利生物飼料有限公司), Longkou Andre Bio-feedstuff Co., Ltd.* (龍口安德利生物飼料有限公司), was qualified as primary processing of agricultural produce under the New Tax Law and therefore would be entitled to an exemption from the PRC income tax which took effect from 1 January 2008.

Accordingly, the PRC income tax paid and payable for the period after 1 January 2008 in connection with the primary processing of agricultural produce of these companies would be entitled to a refund and a waiver respectively in 2009.

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.

* For identification purpose only

5. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

Pursuant to a resolution passed at the annual general meeting on 22 June 2009, a dividend payable to equity shareholders of the Company totaling RMB29,859,000 for 2008 was approved. Up to 30 June 2009, the dividend of RMB3,091,000 was paid to the equity shareholders.

Pursuant to a resolution passed at the annual general meeting on 19 May 2008, a dividend payable to equity shareholders of the Company totaling RMB29,859,000 for 2007 was approved. Up to 30 June 2008, the dividend of RMB29,859,000 was paid to the equity shareholders.

6. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the three months and the six months ended 30 June 2009 is based on the unaudited profit attributable to equity shareholders of the Company of RMB2,283,000 and RMB15,630,000 respectively, and the weighted average of 4,265,536,000 shares in issue during the three months and the six months ended 30 June 2009.

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 RMB124,104,000 and RMB235,107,000, 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.

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 2009, the additions and the disposals of the property, plant and equipment amounted to RMB57,624,000 and RMB2,303,000 respectively.

During the six months ended 30 June 2008, the additions and the disposals of the property, plant and equipment amounted to RMB116,288,000 and RMB45,604,000 respectively.

8. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within 3 months	97,302	73,283
Over 3 months but less than 6 months	—	3,555
Over 6 months	5,646	7,751
Total	102,948	84,589

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

9. Cash and cash equivalents

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Cash at bank and in hand	83,583	114,114

10. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within 6 months	5,246	78,797
Over 6 months but less than 1 year	50,288	16,314
Over 1 year	509	509
Total	56,043	95,620

11. Share capital

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Registered:		
2,505,360,000 (2008: 2,505,360,000) Domestic shares of RMB0.10 each (2008: RMB0.10 each)	250,536	250,536
1,760,176,000 (2008: 1,760,176,000) H shares of RMB0.10 each (2008: RMB0.10 each)	176,018	176,018
Total	426,554	426,554

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Issued and fully paid:		
2,505,360,000 (2008: 2,505,360,000) Domestic shares of RMB0.10 each (2008: RMB0.10 each)	250,536	250,536
1,760,176,000 (2008: 1,760,176,000) H shares of RMB0.10 each (2008: RMB0.10 each)	176,018	176,018
Total	426,554	426,554

12. Commitments

As at 30 June 2009, the Group had capital commitments in respect of property, plant and equipment not provided for in the condensed consolidated interim financial statements as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Contracted for	1,610	3,968

13. Related party transactions

During the six months ended 30 June 2009, the Group entered into the following material related party transactions:

	Unaudited for the six months ended 30 June 2009 RMB'000	2008 RMB'000
Purchase from the jointly controlled entities	30,242	49
Sales to the associate	3,666	2,804

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2009, the Group's turnover decreased to approximately RMB291,043,000 as compared to approximately RMB976,278,000 for the corresponding period in 2008, representing a decrease of approximately RMB685,235,000 or 70%. 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 decrease in turnover was mainly attributable to the decrease in sales volume and selling price of apple juice concentrate. The decrease in sales volume and selling price was mainly caused by the worldwide economic crisis, which resulted in the drop of overall consumption of apple juice.

For the six months ended 30 June 2009, the Group's gross profit was approximately RMB43,170,000 and the gross profit margin was approximately 15%. For the corresponding period in 2008, the gross profit was approximately RMB274,292,000 and gross profit margin was approximately 28%.

For the six months ended 30 June 2009, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) decreased to approximately RMB15,630,000, as compared to approximately RMB235,107,000 for the corresponding period in 2008, representing a decrease of approximately RMB219,477,000 or 93%. The significant decrease in net profit was mainly attributable to the decrease in sales volume and selling price of the Group's products.

For the six months ended 30 June 2009, the Group incurred distribution expenses of approximately RMB15,164,000, as compared to approximately RMB44,793,000 for the corresponding period in 2008, representing a decrease of approximately RMB29,629,000. The Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such decrease was mainly attributable to the decrease in sales volume, ocean freight and storage fees.

For the six months ended 30 June 2009, the Group incurred administrative expenses of approximately RMB16,902,000 as compared to approximately RMB22,764,000 for the corresponding period in 2008, representing a decrease of approximately RMB5,862,000. Such decrease was mainly attributable to the strengthened costs control and the reduction in administrative expenditures by the Group.

For the six months ended 30 June 2009, the net finance costs of the Group were approximately RMB17,779,000, as compared to approximately RMB12,601,000 for the corresponding period in 2008, representing an increase of approximately RMB5,178,000. Such increase was mainly due to the reduction of currency exchange gain caused by appreciation of Renminbi resulted from the exchange rate of Renminbi against US dollar became more stable.

For the six months ended 30 June 2009, share of profit from an associate of the Group was approximately RMB1,137,000, as compared to approximately RMB1,683,000 in 2008, representing a decrease of approximately RMB546,000. The decrease was due to the decrease in sales caused by the halt in production of the pectin production line for maintenance during the second quarter of 2009. Production of part of the customer orders were delayed.

For the six months ended 30 June 2009, the income tax income of the Group was approximately RMB9,185,000. For the corresponding period in 2008, the income tax expense was approximately RMB47,428,000. During the six months ended 30 June 2009, the production of condensed juice and bio-feedstuff of the Company and certain of its subsidiaries, including Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司), Xuzhou Andre Juice Co., Ltd.* (徐州安德利果蔬汁有限公司), Yantai Longkou Andre Juice Co., Ltd.* (烟台龍口安德利果汁飲料有限公司), Dalian Andre Juice Co., Ltd.* (大連安德利果蔬汁有限公司), Binzhou Andre Juice Co., Ltd.* (濱州安德利果汁飲料有限公司), Baishui Andre Bio-feedstuff Co., Ltd.* (白水安德利生物飼料有限公司), Longkou Andre Bio-feedstuff Co., Ltd.* (龍口安德利生物飼料有限公司), was qualified as primary processing of agricultural produce under the New Tax Law and therefore would be entitled to an exemption from the PRC income tax which took effect from 1 January 2008, accordingly, the Group recognised the income tax income of approximately RMB9,185,000 for the six months ended 30 June 2009.

Business Review

Formation of New Joint Venture with Uni-President

On 9 June 2009, the Company, Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company and Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司) a wholly-owned subsidiary of Uni-President China Holdings Ltd. (the “Uni-President”), entered into a joint venture agreement, pursuant to which the parties agreed to establish a joint venture company in Shandong Province, the PRC to engage in the business of OEM processing and sales of various types of beverages, fruit juice, tea, dairy drinks, mineral water, jelly, flummery, cereal products, fruit puree, soybean milk, PET molding and stretching and other products. The Directors consider that the Group’s investment in the joint venture company with Uni-President will enhance its sales in juice concentrate and help to penetrate the domestic market. The Directors consider that the joint venture agreement was entered into on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

Enhancing Market Coverage

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

Optimisation of Customer Base

While expanding its market places and market share, the Group also leveraged on the prime quality of its products to optimise its profile of customer base continuously. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers of the world.

* For identification purpose only

Development of Bases for Apples with High Acidity

The bottleneck that hinders the development of apple juice enterprises is the uncertainty in the quality and production quantity of apples, the major raw material. In view of the intense competition in the low to mid acidity apple juice concentrate market, the Company has taken a unique approach and encouraged peasants to develop bases of apples with high acidity surrounding the production bases of the Group, which are now covering a large area. As the Group made an early start in developing the bases of apples with high acidity, some of the bases are attaining the capacity gradually, which guarantees the supply of raw materials for the Company.

Future Prospects

Develop Financing Channels

The Group will closely monitor the trend of Renminbi exchange rate against US dollar and adjust the proportion of Renminbi and US dollar loans. The Group will continue in actively engaging cooperation with domestic and international financial institutions to diversify its financing channels and increase the variety of financing products, with the aim of reducing the Group's exchange rate risk and finance cost, improve capital structure and facilitate better business development.

Expand Markets

While strengthening its position in the existing markets, the Group will at the same time focus on market and product sales diversification. In respect of the overseas market, apart from strengthening its US market and the developed European, Oceania, African countries and Japanese markets, the Group will strive to achieve further breakthroughs in the domestic sales market.

Accelerate Pace for Acquisition and Merger

The fluctuation of the industry will force some small and medium enterprises in the PRC out of competition. The Group will continue in aiming at taking over small and medium enterprises in the industry, domestic or abroad, through capital activities such as merger and acquisition, to further increase the Group's annual production capacity for juice concentrate, thereby strengthening our leading position in the industry.

Further Enhancement of Fruit Pulp Capacity

To meet with the increasing demand for fruit pulp in the international market, the Group has increased its fruit pulp production lines at appropriate times to further enhance the production capacity of fruit pulp, making fruit pulp another major product of the Group.

Continue Development of Traceability and Farm Management Improvement Linkages Project

While we are consolidating and strengthening the GLOBALGAP recognition project at the trial villages of Yantai, Shandong and Xianyang, Shaanxi, the Company will convene seminars on GLOBALGAP technology with IFC, CNCA, technical committee of GLOBALGAP and various major accreditation institutions, through which we will promote GLOBALGAP recognition and achieve the extensive implementation and promotion of the project in a way appropriate to the situations of the PRC, and drive the development of the whole fruit industry.

Enhance Pectin Production Capacity

The pectin production equipment of the Group's Yantai plant, which has 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 and to satisfy the increasing domestic demand for our pectin products, 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, with a view to increasing pectin production capacity as soon as possible to achieve economy of scale. Our goal is to develop the pectin plant into a production base for the comprehensive series of HM, LMC and LMA as well as a complete pectin product range including apple pectin, citrus pectin and the apple pectin and citrus pectin compound. Furthermore, pectin derivative products are pectin based nutrient supplements developed by our entity for those suffering from sub-health condition as a result of adapting to modern living. This is the health operation we have been striving to cultivate. After the effort we put into this area in 2007 and 2008, such products are ready for a full-scaled launch in the market. We will seek a significant breakthrough in sales nationwide, through the three market channels, that is sales point display, network sales and group purchase from special populations.

LOAN AGREEMENT WITH IFC

On 21 April 2005, the Company entered into a loan agreement (the "Loan Agreement") with IFC for a loan of US\$15,000,000 (approximately HK\$117,000,000) repayable commencing on 15 March 2007 by 10 approximately equal instalments until all monies payable under the Loan Agreement have been fully repaid.

Pursuant to the Loan Agreement, Glory Cause Land Afforestation Co., Ltd.* (光彩事業國土綠化整理有限公司), being the 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.

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On 21 March 2006, after the subscription of H shares by IFC, the Company entered into an Amended and Restated Agreement to the Loan Agreement (the “Amended Loan Agreement”) with IFC to amend the facility to be granted by IFC under the Loan Agreement from US\$15,000,000 to US\$8,000,000 and to make certain other incidental changes to the Loan Agreement, including the cancellation of all assets charged by IFC.

The Amended Loan Agreement is signed subject to the entering into of (a) the Yantai Share Retention Agreement, pursuant to which each of Glory Cause Land Afforestation Co., Ltd.* (光彩事業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. will undertake to maintain an aggregate interest of no less than 40% in the issued share capital of the Company; and (b) Donghua Share Retention Agreement, pursuant to which Mr. Wang An and Mr. Zhang Hui will agree to maintain the specified percentage interests in each of Yantai Donghua Fruit Co., Ltd.* (烟台東華果業有限公司) and Donghua Fruit Industry Co., Ltd..

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

TERM FACILITY AGREEMENT WITH CERTAIN FINANCIAL INSTITUTIONS

On 27 May 2009, the Company as a 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\$45,000,000 (approximately HK\$349,000,000 upon drawdown) for a term of 36 months commencing from the date of the Term Facility Agreement, subject to early repayment or extension of the final maturity date (to the date falling 60 months from the date of the Term Facility Agreement) as requested by the Company in compliance with the provisions of the Term Facility Agreement.

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 ceases to have or ceases to be entitled to exercise, directly or through his controlled corporations, management control over each of the Company and the material subsidiaries (as defined in the Term Facility Agreement) of the Company; or
- (ii) the aggregate shareholding in the Company that is beneficially owned by Mr. Wang An, whether directly or through his controlled corporations, 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; or
- (iii) the Company ceases to have or ceases to be entitled to exercise management control over each of its material subsidiaries, or the aggregate shareholding in each of its material subsidiaries that is beneficially owned by the Company, whether directly or indirectly, ceases to be larger than the aggregate shareholding (whether direct or indirect) in each such material subsidiary of and/or held to the order of any other person and/or persons acting in concert with such other person.

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As at 30 June 2009, Mr. Wang An, whether directly or through his controlled corporations, held approximately 28.25% of the total issued share capital of the Company and was the single largest shareholder of the Company. Mr. Wang An is an executive Director of the Company.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2009, the Group had a total of 832 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 2008. The proposal to declare and pay this final dividend was passed at the annual general meeting of the Company held on 22 June 2009.

The Board proposed not to distribute interim dividend for the period ended 30 June 2009.

SIGNIFICANT INVESTMENT

Save as the formation of new joint venture with Uni-President as disclosed above, there was no significant investment made by the Group during the six months ended 30 June 2009.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisition or disposal of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2009.

CONTINGENT LIABILITIES

As at 30 June 2009, the Directors were not aware of any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2009, 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 2009, the Group had outstanding bank loans amounted to approximately RMB701,986,000, of which RMB406,000,000 was borrowed at interest rates ranging from 5.31% to 5.58%, RMB227,667,000 was borrowed at LIBOR + 3.2%, and RMB68,319,000 was borrowed at COF+3%.

As at 30 June 2009, the Group had a net cash and cash equivalent position of approximately RMB83,583,000. The Group's gearing ratio at 30 June 2009 was approximately 45% (30 June 2008: approximately 48%) which was calculated based on the Group's total liabilities of approximately RMB905,131,000 (30 June 2008: approximately RMB1,135,949,000) and total equity and liabilities of approximately RMB2,023,405,000 (30 June 2008: approximately RMB2,349,123,000). 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 2009, 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, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY

As at 30 June 2009, 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 ("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 percentage of Domestic Shares/ H Shares	Approximate percentage of total share capital
Wang An (Note 1)	Domestic Shares	1,188,105,006 (L)	Interest of controlled corporations (Note 2)	Personal	47.42%(L)	27.85%(L)
	H Shares	17,085,000 (L)	Interest of controlled corporation (Note 3)	Personal	0.97%(L)	0.40%(L)
Liu Tsung-Yi	H Shares	1,954,000 (L)	Beneficial owner	Personal	0.11%(L)	0.045%(L)

Notes: The letter "L" denotes a long position.

- (1) As at 30 June 2009, Mr. Wang An, a director of the Company, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 441,519,606 Domestic Shares and 17,085,000 H Shares, representing 10.35% and 0.40% interest in the total issued share capital of the Company, respectively; and (b) 80% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), which held 746,585,400 Domestic Shares, representing 17.50% interest in the total issued share capital of the Company.
- (2) Mr. Wang An was deemed to be interested in these Domestic Shares through his interests in China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司).
- (3) The long position in 17,085,000 H Shares were held by China Pingan Investment Holdings Limited. Mr. Wang An was deemed to be interested in these H Shares through his 90% interest in China Pingan Investment Holdings Limited.

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2009, 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, underlying shares and debentures 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	Domestic Shares	441,519,606 (L) (Note 1)	Beneficial owner	Corporate	17.62%(L)	10.35%(L)
	H Shares	17,085,000 (L)	Beneficial owner	Corporate	0.97%(L)	0.40%(L)
Shandong Andre Group Co., Ltd.* 山東安德利集團有限公司	Domestic Shares	746,585,400 (L) (Note 2)	Beneficial owner	Corporate	29.80%(L)	17.50%(L)
HSBC International Trustee Limited	Domestic Shares	657,794,593 (L) (Note 3)	Trustee	Corporate	26.26%(L)	15.42%(L)
Uni-President Enterprises Corp. 統一企業股份有限公司	Domestic Shares	637,460,401 (L) (Note 4)	Interests of controlled corporations (Note 5)	Corporate	25.44%(L)	14.94%(L)
Atlantis Investment Management Ltd.	H Shares	315,910,000 (L)	Investment manager	Corporate	17.95%(L)	7.41%(L)
Mitsui & Co., Ltd.	H Shares	97,000,000 (L)	Beneficial owner	Corporate	5.51%(L)	2.27%(L)
JP Morgan Chase & Co.	H Shares	100,244,020 (L) 100,244,020 (P) (Note 6)	Custodian corporation/ approved lending agent	Corporate	5.70%(L)	2.35%(L)
HSBC Global Asset Management (Hong Kong) Limited (Formerly known as HSBC Investments (Hong Kong) Limited)	H Shares	102,250,000 (L)	Investment manager	Corporate	5.80%(L)	2.40%(L)

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Notes: The letter “L” denotes a long position. The letter “P” denotes interests in a lending pool.

- (1) Mr. Wang An, a director of the Company, was deemed to be interested in these Domestic Shares through his 90% interest in China Pingan Investment Holdings Limited.
- (2) Mr. Wang An, a director of the Company, was deemed to be interested in these Domestic Shares through his 80% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) .
- (3) The long position in 657,794,593 Domestic Shares were held by HSBC International Trustee Limited in the capacity of trustee, which Domestic Shares were held directly by Donghua Fruit Industry Co., Ltd.. Each of ACME Team International Limited and Prosper United Limited was deemed to be interested in these Domestic Shares through their direct and indirect control of Donghua Fruit Industry Co., Ltd..
- (4) The long position in 637,460,401 Domestic Shares were held by Uni-President China Holdings Ltd., a non wholly-owned subsidiary of Uni-President Enterprises Corp. (統一企業股份有限公司), through its two wholly-owned subsidiaries, namely, Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司), which held 424,183,601 Domestic Shares, and Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司), which held 213,276,800 Domestic Shares.
- (5) Pursuant to Part XV of the SFO, Uni-President Enterprises Corp. (統一企業股份有限公司) was deemed to be interested in such 637,460,401 Domestic Shares. The 637,460,401 Domestic Shares were held by a series of controlled corporations of Uni-President Enterprises Corp. (統一企業股份有限公司), of which 424,183,601 Domestic Shares, representing approximately 9.94% of the total issued share capital of the Company, were held directly by Chengdu President Enterprises Food Co., Ltd. (成都統一企業食品有限公司) and 213,276,800 Domestic Shares, representing approximately 5% of the total issued share capital of the Company, were held directly by Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司) .
- (6) These H Shares were held directly by JP Morgan Chase Bank N.A., a wholly-owned subsidiary of JP Morgan Chase & Co..

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.

* *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 2009 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.

All Directors, upon specific enquiries, have confirmed that they have complied with the Required Standard during the six-month period ended 30 June 2009.

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 2009.

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 with the Directors about internal controls and financial reporting matters including a review of the interim results for the six months ended 30 June 2009.

As at the date hereof, the Board comprises:

Mr. Wang An (*Executive Director*)

Mr. Zhang Hui (*Executive Director*)

Mr. Jiang Hong Qi (*Executive Director*)

Mr. Lin Wu-Chung (*Non-executive Director*)

Mr. Liu Tsung-Yi (*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.*
Wang An
Chairman

Yantai, the PRC, 11 August 2009

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