



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

ANNUAL RESULTS

The Board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2008, with the comparative audited figures for the year ended 31 December 2007, as follows:

Consolidated Income Statement

	<i>Note</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	3	1,309,354	1,662,976
Cost of sales		(1,066,444)	(1,235,581)
Gross profit		242,910	427,395
Other income		23,170	15,478
Distribution costs		(67,281)	(106,834)
Administrative expenses		(46,023)	(38,860)
Other operating expenses		(8,813)	(4,614)
Profit from operations		143,963	292,565
Net finance costs		(43,257)	(26,462)
Investment income		77,151	–
Share of profit from an associate		4,036	501
Profit before taxation	4	181,893	266,604
Income tax	5	(25,448)	(31,451)
Profit for the year		156,445	235,153
Attributable to:			
Equity shareholders of the Company		156,107	213,874
Minority interests		338	21,279
Profit for the year		156,445	235,153
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	6	29,859	29,859
Basic and diluted earnings per share	7	RMB0.037	RMB0.052

Consolidated Balance Sheet

	<i>Note</i>	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		830,801	774,104
Lease prepayments		101,028	68,741
Interest in an associate		67,232	63,196
Goodwill		1,452	1,452
Deferred tax assets		26,903	—
		<hr/>	<hr/>
Total non-current assets		1,027,416	907,493
		<hr/>	<hr/>
Current assets			
Inventories		901,740	1,317,130
Trade receivables	8	84,589	329,626
Other receivables and prepayments		86,858	193,208
Restricted deposits		17,697	8,237
Cash and cash equivalents		114,114	97,597
		<hr/>	<hr/>
Total current assets		1,204,998	1,945,798
		<hr/>	<hr/>
Total assets		2,232,414	2,853,291
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EQUITY AND LIABILITIES			
Current liabilities			
Bank loans		856,775	1,061,064
Trade payables	9	95,620	215,714
Other payables and accrued expenses		109,646	127,405
Current tax liabilities		29,465	26,713
		<hr/>	<hr/>
Total current liabilities		1,091,506	1,430,896
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Net current assets		113,492	514,902
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Total assets less current liabilities		1,140,908	1,422,395
		<hr/>	<hr/>

Consolidated Balance Sheet (Con't)

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Non-current liabilities		
Bank loans	–	328,707
Deferred tax liabilities	7,785	–
Other long-term liabilities	249	249
	<hr/>	<hr/>
Total non-current liabilities	8,034	328,956
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Total liabilities	1,099,540	1,759,852
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Capital and reserves		
Share capital	426,554	426,554
Reserves	698,770	595,748
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	1,125,324	1,022,302
Minority interests	7,550	71,137
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Total equity	1,132,874	1,093,439
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Total equity and liabilities	2,232,414	2,853,291
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Consolidated Statement of Changes in Equity

		Share capital	Capital surplus	Share premium	Statutory reserves	Retained earnings	Total equity attributable to equity shareholders of the Company	Minority interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007		180,888	10	274,816	83,594	158,642	697,950	9,587	707,537
Issuance of shares		13,000	–	135,445	–	–	148,445	–	148,445
Shares issuance expenses		–	–	(7,817)	–	–	(7,817)	–	(7,817)
Capitalisation issue		232,666	–	(232,666)	–	–	–	–	–
Acquisition of a subsidiary		–	–	–	–	–	–	50,768	50,768
Acquisition of minority interests		–	–	(3,017)	–	–	(3,017)	(10,497)	(13,514)
Profit for the year		–	–	–	–	213,874	213,874	21,279	235,153
Appropriations		–	–	–	23,444	(23,444)	–	–	–
Dividends to equity shareholders of the Company	6(b)	–	–	–	–	(27,133)	(27,133)	–	(27,133)
At 31 December 2007		<u>426,554</u>	<u>10</u>	<u>166,761</u>	<u>107,038</u>	<u>321,939</u>	<u>1,022,302</u>	<u>71,137</u>	<u>1,093,439</u>
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)
Profit for the year		–	–	–	–	156,107	156,107	338	156,445
Appropriations		–	–	–	15,747	(15,747)	–	–	–
Dividends to equity shareholders of the Company	6(b)	–	–	–	–	(29,859)	(29,859)	–	(29,859)
At 31 December 2008		<u>426,554</u>	<u>10</u>	<u>143,535</u>	<u>122,785</u>	<u>432,440</u>	<u>1,125,324</u>	<u>7,550</u>	<u>1,132,874</u>

Notes:

1 ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was established in the form of a Sino-foreign equity joint venture in Yantai, Shandong province, the People's Republic of China (the "PRC") on 30 March 1996.

With the approval from the Ministry of Commerce (formerly the Ministry of Foreign Trade and Economic Cooperation) of the PRC, the legal form of the Company was changed from that of a Sino-foreign equity joint venture to a Sino-foreign joint stock limited company on 26 June 2001.

The Group are principally engaged in the production and sale of condensed juice.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

3 TURNOVER AND SEGMENT INFORMATION

Turnover primarily represents income arising from the sale of condensed juice net of value added tax.

No segment information is presented during the year 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 PRC and its major assets are located in the PRC.

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

	2008 <i>RMB’000</i>	2007 <i>RMB’000</i>
North America	694,480	726,507
Europe	236,773	593,170
Others	378,101	343,299
Total	<u>1,309,354</u>	<u>1,662,976</u>

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	78,075	68,777
Interest expenses	55,101	66,269
Auditors' remuneration – audit services	2,150	1,990
Operating lease charge		
– land use rights	2,194	1,282
– hire of plant	8,168	8,294
Research and development expenditure	1,596	178

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents provision for PRC income tax and deferred tax recognised from origination or reversal of temporary differences.

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax	44,566	31,451
Deferred tax		
Origination of temporary differences	(19,118)	–
	25,448	31,451

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 all of the subsidiaries other than Baishui Andre Juice Co., Ltd. has been changed to 25% from 1 January 2008. Baishui Andre Juice Co., Ltd. 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.

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

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Final dividend proposed after the balance sheet date of RMB0.007 per share (2007: RMB0.007 per share)	<u>29,859</u>	<u>29,859</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.007 per share (2007: RMB0.015 per share)	<u>29,859</u>	<u>27,133</u>

7 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB156,107,000 (2007: RMB213,874,000) and the weighted average of 4,265,536,000 shares (2007: 4,121,361,000 shares) in issue during the year.

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

8 TRADE RECEIVABLES

An ageing analysis of trade receivables is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within 3 months	73,283	329,175
Over 3 months but less than 6 months	3,555	284
Over 6 months	7,751	167
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Total	84,589	329,626
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Customers are normally granted credit terms of one to six months (2007: three to six months), depending on the credit standing of individual customers.

9 TRADE PAYABLES

An ageing analysis of trade payables is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within 6 months	78,797	214,325
Over 6 months but less than 1 year	16,314	461
Over 1 year	509	928
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Total	95,620	215,714
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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 31 December 2008, the Group's turnover decreased to approximately RMB1,309,354,000 as compared to approximately RMB1,662,976,000 in 2007, representing a significant decrease of approximately RMB353,622,000 or 21%. 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 sale of apple juice concentrate accounted for approximately 91% of the total turnover of the Group for the year ended 31 December 2008 (2007: approximately 97%). 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 year ended 31 December 2008, the Group's gross profit was approximately RMB242,910,000 and the gross profit margin was approximately 19%. For the corresponding period in 2007, the gross profit was approximately RMB427,395,000 and the gross profit margin was approximately 26%. The decrease in gross profit and gross profit margin was mainly attributable to the high cost of sales due to the cost of sale in the new pressing season in 2008 included a significant amount of high cost products manufactured in the pressing season in 2007 and the write-down of inventory of approximately RMB53,097,000.

For the year ended 31 December 2008, the Group's net profit (i.e. the profit for the year attributable to equity shareholders of the Company) decreased to approximately RMB156,107,000 as compared to approximately RMB213,874,000 for the corresponding period in 2007, representing a significant decrease of approximately RMB57,767,000 or 27%. The significant decrease in net profit was mainly attributable to the decrease in sales volume and selling price of the Group's products.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2008, the Group incurred distribution costs of approximately RMB67,281,000, as compared to approximately RMB106,834,000 in 2007, representing a decrease of approximately RMB39,553,000. The Group's distribution costs mainly included transport, export inspection and marketing expenses. Such decrease was mainly attributable to the decrease in sales volume.

For the year ended 31 December 2008, the Group incurred administrative expenses of approximately RMB46,023,000 as compared to approximately RMB38,860,000 in 2007, representing an increase of approximately RMB7,163,000. Such increase was mainly attributable to the commencement of operation of a new factory in Yongji in the second half of 2007, the completion of acquisition of 51% of Binzhou Andre Juice Co., Ltd.* (濱州安德利果汁飲料有限公司) (“Binzhou Andre”) in June 2007 and also the completion of acquisition of 70% of Qingdao Nannan Beverage Co., Ltd.* (青島南南飲料有限公司) (“Qingdao Nannan”) in March 2008 which led to an increase in general administrative expenses in 2008.

Net Finance Costs

For the year ended 31 December 2008, the net finance costs of the Group increased to approximately RMB43,257,000, as compared to approximately RMB26,462,000 in 2007, representing an increase of approximately RMB16,795,000 or 63%. 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.

Investment Income

For the year ended 31 December 2008, investment income recognised by the Group was approximately RMB77,151,000. On 30 June 2008, the Group disposed of 50% equity interest in 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 derived from the disposal amounted to approximately RMB77,151,000, representing the difference between the consideration received and the carrying amount of the interests disposed of.

Share of Profit from an Associate

For the year ended 31 December 2008, share of profit from an associate of the Group was approximately RMB4,036,000, as compared to approximately RMB501,000 in 2007 representing an increase of approximately RMB3,535,000. The increase was due to the commencement of mass production of the pectin business in 2008.

Income Tax

For the year ended 31 December 2008, the income tax of the Group was decreased from approximately RMB31,451,000 in 2007 to approximately RMB25,448,000. The decrease was mainly due to the decrease in profit for the year.

BUSINESS REVIEW AND OUTLOOK

Business Review

Cooperation with Financial Institutions

While the appreciation of Renminbi against US dollar has become more stable, the Group continues to enhance cooperation with domestic and international renowned financial institutions to appropriately adjust the proportion of Renminbi and US dollar in our loan portfolio. The Directors believe that such appropriate proportion of US dollar loan can reduce the Group's exchange rate risk and finance cost effectively, and facilitate better business development.

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.

Close Cooperation with International Strategic Investors

On 30 June 2008, the Group disposed of 50% equity interest in Yongji Andre to AGRANA, a wholly-owned subsidiary of AGRANA AG. 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 Group in Xianyang Andre Juice Co., Ltd.* (咸陽安德利果蔬汁有限公司) ("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 share and sales volume of the Group.

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.

Further Acquisition of Binzhou Andre

On 1 April 2008, the Group purchased 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 of the acquisition. The Board considers that the above acquisition represents a good opportunity for the Group to increase its production capacity and to obtain better control and management of Binzhou Andre.

Increasing Juice Production Capacity

The Group has built a new production line at Xianyang Andre and Xuzhou Andre Juice Co., Ltd.* (徐州安德利果蔬汁有限公司) as planned, and renovated a production line at the Group's headquarters in Yantai so as to expand its production capacity. Upon completion of such expansion, the Group has owned 14 modern production lines with an aggregate annual production capacity of over approximately 310,000 tonnes (including controlled and jointly controlled entities).

Construction of Production Lines for Fruit Pulp

The Group has built a new production line for fruit pulp with an annual capacity of 10,000 tonnes at the Yantai production base, and successfully conducted trial production.

Production of Pectin

The Group had further implemented various aspects of the production of pectin. In 2008, our Yantai plant imported orange peels from South America, and successfully produced high quality citrus pectin, rendering Yantai Andre Pectin Co., Ltd.* (烟台安德利果膠有限公司) ("Andre Pectin") to become one of the few plants in the world that can produce both apple pectin and citrus pectin. For new products development, Andre Pectin successfully conducted R&D and trial production of Low Methoxyl Pectin (LMC) and Amidated Low Methoxyl Pectin (LMA), lifting the technology capability of Andre Pectin further. In addition, Andre Pectin, in cooperation with China Huiyuan Juice Group Limited established an orange peel processing center in Huaihua, Hunan which provides Andre Pectin with an adequate supply of raw material for citrus pectin production.

Traceability and Farm Management Improvement Linkages Project

To enhance competitiveness, the Company has been forward-looking by entering into a Linkages Cooperation Agreement with IFC for the joint development of traceable, farm management improvement linkages project in the PRC. During 2008, the five trial villages in Yantai have again successfully passed the GLOBALGAP recognition system. In addition, after on-site survey and assessment, the Company has selected three trial villages in Xianyang, Shaanxi, laying a solid foundation for promoting the GLOBALGAP recognition on a large scale.

Research and Development

The Group, acting as the main bidder and together with China Agricultural University, the Chinese Academy of Inspection and Quarantine of the General Administration of Quality Supervision, Inspection and Quarantine of China, etc, have undertaken research project under the National Science and Technology Support Program of the “11th Five-Year Plan” on the topic of “the development and industrialisation demonstration of apple pectin products and apple juice of prime quality”. The Group continued undertaking of the Shandong Province proprietary and innovative key technology project of 2006, the “Key Technology for Fine and Deep Processing of Fruits”. The Group also continued undertaking of the “Research and Development of Key Technology and Equipment for Apple Processing”, the Shandong Province technology research program project of 2008; and the “Double Ten” proprietary and innovative key technology project of Yantai City of 2008; and implemented research works.

Our achievements included:

For juice:

1. The projects we undertaken under the “11th Five-Year Plan” have been successfully accepted.
2. Preliminary results were achieved in the processing technology of unripe and high acidity apples, and pilot test was completed; small-scaled test was also completed on the separation technologies of ultrafilter residues.
3. A result identification has been passed at provincial level.
4. The aseptic storage of large tank group under low temperature and storage tank design and control technology for apple concentrates.

For pectin:

The research project under the National Science and Technology Support Program of the “11th Five-Year Plan” on the topic of “the development and industrialisation demonstration of apple pectin products and apple juice of prime quality” has successfully passed acceptance.

The Company also developed 14 new products, including 8 pectin products during 2008.

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 Enhance 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.

Research and Development

For apple juice concentrates, the Group will strive for the following research and development:

1. Research and development in the production technology for concentration of essence under low temperature;
2. Research in the industrialisation technology for concentrated clear juice processed from various type of unripe apples;
3. Completion of the pilot research in separation technologies of ultrafilter residues (without sugar extraction); and
4. Engage in the later two years' rolling projects under the National Science and Technology Support Program of the "11th Five-Year Plan".

For pectin, in 2009, Andre Pectin will realise the value maximisation of its existing pectin production line and conventional pectin business by establishing a comprehensive pectin product mix consisting of a complete series of High Methoxyl Pectin (HM), Low Methoxyl Pectin (LHM), and Amidated Low Methoxyl Pectin (LMA) while at the same time covering apple pectin, citrus pectin, and apple pectin and citrus pectin compound. We will also increase our effort in the development of stabilisers for dairy products and high-end pectin health food and in the development of their markets. We will strive to become an one-stop supplier of dairy product stabilisers that comply with international standard and a specialized supplier of high-end pectin health food, which will enhance the potential value of Andre Pectin and advance Andre Pectin into the era of high value-added and hi-tech, providing a more extensive scope for the expansion of our economic scale.

We will also conduct research in the technology for the extraction of high purity apple flavonoid from apple dreg, and develop high value-added products to elevate the technology content of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities by internally generated financial resources and loans from banks. As at 31 December 2008, the Group had outstanding short-term bank loans of approximately RMB856,775,000 and no long-term bank loan. As at 31 December 2008, the short-term bank loans of RMB549,218,000 bore interest at rates ranging from 5.04% to 7.47% per annum. Bank loans of RMB307,557,000 bore floating interest rate of LIBOR+1.1%, with maturity in 2009. In the year 2008, the Group repaid on time all debts that were due. The Directors consider that the Group has sufficient financial resources to meet its ongoing operation requirements.

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.

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 announcement, 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 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\$60,000,000 (approximately HK\$468,000,000 upon drawdown).

The terms of the Term Facility Agreement impose specific performance obligations on 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 31 December 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. Mr. Zheng Yue Wen and Mr. Wang An are the executive Directors of the Company.

CHARGE OF ASSETS

As at 31 December 2008, no assets of the Company was pledged.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is partly denominated in US dollars. It is the practice of the Group to convert its operating revenue denominated in US dollars to Renminbi to finance 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 Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

GEARING RATIO

As at 31 December 2008, the Group had a net cash and cash equivalents of approximately RMB114,114,000. The Group's gearing ratio as at 31 December 2008 was approximately 49% (2007: approximately 62%) which is calculated by dividing the Group's total liabilities of approximately RMB1,099,540,000 (2007: RMB1,759,852,000) by the Group's total assets of approximately RMB2,232,414,000 (2007: RMB2,853,291,000).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2008, the Group had a total of 1,340 employees (2007: 1,399 employees). Staff costs including directors' remuneration for the years ended 31 December 2008 and 31 December 2007 were approximately RMB26,172,000 and approximately RMB19,946,000 respectively. The Group's employment and remuneration policies remained unchanged from those described in the prospectus of the Company dated 11 April 2003. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, are also provided to the employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the year ended 31 December 2008, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR

The Company completed the following material acquisitions and disposal during the year ended 31 December 2008:

- (i) disposal of 50% equity interest in Yongji Andre to AGRANA pursuant to the share transfer agreement on 28 February 2008 for a consideration of EUR11,000,000 (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 the agreement on 17 March 2008 for a consideration of RMB96,000,000 (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 Nam Yeung Industrial Co., Ltd. pursuant to the share acquisition agreement on 2 October 2007 for a consideration of US\$2,100,000 (such acquisition was completed on 31 March 2008).

Apart from the above transactions, no material acquisition or disposal of subsidiaries and associated companies had been made by the Company during the year ended 31 December 2008.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group, ensuring compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. 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.

During the year, the Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters with the Directors, including a review of the annual results for the year ended 31 December 2008. The Audit Committee held 4 meetings during the year with all three members (namely, Wu Jian Hui, Qu Wen and Yu Shou Neng) present.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

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 year ended 31 December 2008.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules throughout the year ended 31 December 2008.

CAPITAL STRUCTURE

The shares of the Company were listed in the GEM of the Stock Exchange on 22 April 2003. The capital of the Company comprises only ordinary shares.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Monday, 22 June 2009 at 3rd Floor, No. 18 Andre Avenue, Muping Economic Development Zone, Yantai City, Shandong Province, the PRC. Notice of the annual general meeting will be sent to the shareholders of the Company shortly.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend a final dividend of approximately RMB29,859,000 (inclusive of tax), or RMB0.007 per share for 2008. The proposal to declare and pay this final dividend will be submitted to the shareholders of the Company at the forthcoming annual general meeting to be held on 22 June 2009. Final dividend for Domestic Shares will be distributed and paid in Renminbi whereas dividend for H Shares will be declared in Renminbi and paid in Hong Kong dollars. The register of holders of H Shares of the Company will be closed from 23 May 2009 (Saturday) to 22 June 2009 (Monday) (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend and for attending and for voting in the forthcoming annual general meeting of the Company, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share Registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2009 (Friday). The final dividend will be distributed within one month from the conclusion of the forthcoming annual general meeting.

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

Yantai, the PRC, 26 March 2009

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. 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*)

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for seven days from the date of its posting and on the Company’s website at www.andre.com.cn.

** For identification purpose only.*