



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 2010

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.

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This report, for which the directors (the “Directors”) of Yantai North Andre Juice Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

* For identification purpose only



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Yantai North Andre Juice Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)

HALF-YEAR RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and the six months ended 30 June 2010, with the comparatives of the corresponding periods in 2009, 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	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	2	255,210	160,849	465,894	291,043
Cost of sales		(221,435)	(130,143)	(407,980)	(247,873)
Gross profit		33,775	30,706	57,914	43,170
Other income		10,616	2,444	19,124	12,445
Distribution expenses		(22,965)	(9,103)	(37,429)	(15,164)
Administrative expenses		(3,331)	(8,110)	(11,743)	(16,902)
Other operating expenses		(792)	(215)	(1,027)	(833)
Profit from operations		17,303	15,722	26,839	22,716
Net finance costs		(10,824)	(10,670)	(20,548)	(17,779)
Investment (loss)/income		(352)	–	900	–
Share of profit from associates		1,629	(371)	3,450	1,137
Profit before taxation	3	7,756	4,681	10,641	6,074
Income tax	4	(173)	(2,378)	(1,173)	9,185
Profit for the period		7,583	2,303	9,468	15,259
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		7,583	2,303	9,468	15,259

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	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
<i>Note</i>				
Profit attributable to:				
Equity shareholders of the Company	8,178	2,283	10,465	15,630
Minority interests	(595)	20	(997)	(371)
Profit for the period	7,583	2,303	9,468	15,259
Total comprehensive income attributable to:				
Equity shareholders of the Company	8,178	2,283	10,465	15,630
Minority interests	(595)	20	(997)	(371)
Total comprehensive income for the period	7,583	2,303	9,468	15,259
Basic and diluted earnings per share	6			
	RMB0.0019	RMB0.0005	RMB0.0025	RMB0.0037

Condensed Consolidated Statement of Financial Position

		Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	818,278	788,449
Lease prepayments		104,358	105,531
Interest in associates		45,517	39,888
Goodwill		1,452	1,452
Deferred tax assets		3,972	4,975
Total non-current assets		<u>973,577</u>	<u>940,295</u>
Current assets			
Inventories		534,815	872,188
Trade receivables	9	175,494	97,716
Other receivables and prepayments		139,428	169,113
Restricted deposits		11,628	4,294
Cash and cash equivalents	10	344,336	218,710
Total current assets		<u>1,205,701</u>	<u>1,362,021</u>
Total assets		<u>2,179,278</u>	<u>2,302,316</u>
EQUITY AND LIABILITIES			
Current liabilities			
Bank borrowings		616,143	727,082
Trade payables	11	67,159	85,989
Other payables and accrued expenses		74,662	70,703
Current tax liabilities		17,318	18,073
Dividend payable		20,204	9,985
Total current liabilities		<u>795,486</u>	<u>911,832</u>
Net current assets		<u>410,215</u>	<u>450,189</u>
Total assets less current liabilities		<u>1,383,792</u>	<u>1,390,484</u>
Non-current liabilities			
Bank borrowings		224,100	225,331
Other long-term liabilities		249	249
Total non-current liabilities		<u>224,349</u>	<u>225,580</u>
Total liabilities		<u>1,019,835</u>	<u>1,137,412</u>
Capital and reserves			
Share capital	12	426,554	426,554
Reserves		728,829	733,293
Total equity attributable to equity shareholders of the Company		<u>1,155,383</u>	<u>1,159,847</u>
Minority interests		4,060	5,057
Total equity		<u>1,159,443</u>	<u>1,164,904</u>
Total equity and liabilities		<u>2,179,278</u>	<u>2,302,316</u>

Condensed Consolidated Statement of Cash Flows

Unaudited
For the six months
ended 30 June

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	260,173	192,336
Net cash used in investing activities	(36,085)	(63,490)
Net cash used in financing activities	(98,462)	(159,377)
Net increase/(decrease) in cash and cash equivalents	125,626	(30,531)
Cash and cash equivalents at beginning of the period	218,710	114,114
Cash and cash equivalents at end of the period	344,336	83,583
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	344,336	83,583

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 2010	426,554	10	143,535	129,032	460,716	1,159,847	5,057	1,164,904
Total comprehensive income for the period	-	-	-	-	10,465	10,465	(997)	9,468
Dividends to equity shareholders of the Company	-	-	-	-	(14,929)	(14,929)	-	(14,929)
Balance as at 30 June 2010	<u>426,554</u>	<u>10</u>	<u>143,535</u>	<u>129,032</u>	<u>456,252</u>	<u>1,155,383</u>	<u>4,060</u>	<u>1,159,443</u>
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>

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 2009.

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	
	2010	2009	2010	2009
	RMB’000	<i>RMB’000</i>	RMB’000	<i>RMB’000</i>
North America	85,990	62,769	147,588	95,112
Europe	58,409	76,927	100,209	160,242
Others	110,811	21,153	218,097	35,689
	<hr/>	<hr/>	<hr/>	<hr/>
Total	255,210	160,849	465,894	291,043
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Depreciation of property, plant and equipment	7,422	21,150	15,904	41,621
Interest expenses on bank borrowings repayable within five years	11,344	8,558	20,906	16,741
Amortisation of lease prepayments	601	593	1,173	1,206
Reversal of write-down of inventories	–	(12,717)	–	(12,717)
Interest income	(116)	(1,341)	(232)	(1,434)
Exchange gains	(780)	(109)	(558)	(1,193)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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, all of the subsidiaries and jointly controlled entities 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) continue to enjoy a preferential tax rate of 15% until the end of 2010. In accordance with the relevant PRC tax rules and regulations, certain subsidiaries and jointly controlled entities of the Company 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 and jointly controlled entities 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 will be 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 have commenced 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. The production of juice concentrate of the Company and certain of its subsidiaries and jointly controlled entities, including Baishui Andre Juice Co., Ltd.* (白水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), Dalian Andre Juice Co., Ltd.* (大連安德利果蔬汁有限公司), Xianyang Andre Juice Co., Ltd.* (咸陽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) and Yongji Andre Juice Co., Ltd.* (永濟安德利果蔬汁有限公司), and the production of bio-stuff of Longkou Andre Bio-feedstuff Co., Ltd.* (龍口安德利生物飼料有限公司) and Baishui Andre Bio-feedstuff Co., Ltd.* (白水安德利生物飼料有限公司), an associate of the Company as at 30 June 2010, are recognised as primary processing of agricultural produce under the New Tax Law and therefore are exempt from the PRC income tax.

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

During the three months and the six months ended 30 June 2010, the Group has recognized deferred tax assets amounting to RMB1,758,000(2009 : Nil) in respect of cumulative tax losses arising from its juice reprocessing operation, which is not exempt from the PRC income tax under the new tax law.

5. Change of accounting estimates

During the six months ended 30 June 2010, the Group conducted an operational efficiency review of its property, plant and equipment. Buildings and machinery, which management previously intended to dispose after 20 years and 10 years of use respectively, are now expected to remain in use for 40 years and 20 years from the date of use respectively, which is also in conformity with the industry practice. As a result, the expected useful lives of these assets increased. The effects of these changes on depreciation charges for the current and future financial years are approximated as follows:

	For the year ending 31 December					
	2010	2011	2012	2013	2014	Later
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Decrease)/increase in depreciation charges	(54,338)	(51,509)	(42,208)	(31,012)	(24,092)	203,159

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 2010 is based on the unaudited profit attributable to equity shareholders of the Company of RMB8,178,000 and RMB10,465,000 respectively, and the weighted average of 4,265,536,000 shares in issue during the three months and the six months ended 30 June 2010.

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.

There was no difference between basic and diluted earnings per share as there were no dilutive potential ordinary shares outstanding for the three months and the six months ended 30 June 2010 and 2009 respectively.

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

Pursuant to a resolution passed at the annual general meeting on 30 June 2010, a dividend payable to equity shareholders of the Company totaling RMB14,929,000 for 2009 was approved.

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 2010, the dividend of RMB4,710,000 (2009: RMB3,091,000) was paid to the equity shareholders by the Group.

8. Property, plant and equipment

During the six months ended 30 June 2010, the additions and the disposals of the property, plant and equipment amounted to RMB47,974,000 and RMB2,241,000 respectively.

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.

9. Trade receivables

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 3 months	118,263	87,767
Over 3 months but less than 6 months	56,926	7,298
Over 6 months	305	2,651
Total	175,494	97,716

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

10. Cash and cash equivalents

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Cash at bank and in hand	344,336	218,710

11. Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Within 6 months	61,250	75,777
Over 6 months but less than 1 year	3,660	9,156
Over 1 year	2,249	1,056
Total	67,159	85,989

12. Share capital

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Registered:		
2,505,360,000 (2009: 2,505,360,000) Domestic shares of RMB0.10 each (2009: RMB0.10 each)	250,536	250,536
1,760,176,000 (2009: 1,760,176,000) H shares of RMB0.10 each (2009: RMB0.10 each)	176,018	176,018
Total	426,554	426,554
Issued and fully paid:		
2,505,360,000 (2009: 2,505,360,000) Domestic shares of RMB0.10 each (2009: RMB0.10 each)	250,536	250,536
1,760,176,000 (2009: 1,760,176,000) H shares of RMB0.10 each (2009: RMB0.10 each)	176,018	176,018
Total	426,554	426,554

13. Commitments

As at 30 June 2010, 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 2010 RMB'000	Audited 31 December 2009 RMB'000
Contracted for	16,329	29,925

14. Related party transactions

During the six months ended 30 June 2010, the Group entered into the following material related party transactions:

	Unaudited for the six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase from the jointly controlled entities	48,248	30,242
Sales to an associate	969	3,666
	<u> </u>	<u> </u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2010, the Group's turnover increased to approximately RMB465,894,000 as compared to approximately RMB291,043,000 for the corresponding period in 2009, representing an increase of approximately RMB174,851,000 or 60%. The Group's turnover was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products. The increase in turnover was mainly attributable to the increase in sales volume of apple juice concentrate. The increase in sales volume was mainly caused by the increase in apple juice consumer sales since the fourth quarter of 2009 due to the recovery of the apple juice sales market.

For the six months ended 30 June 2010, the Group's gross profit was approximately RMB57,914,000 and the gross profit margin was approximately 12%. For the corresponding period in 2009, the gross profit was approximately RMB43,170,000 and gross profit margin was approximately 15%.

For the six months ended 30 June 2010, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) decreased to approximately RMB10,465,000, as compared to approximately RMB15,630,000 for the corresponding period in 2009, representing a decrease of approximately RMB5,165,000 or 33%. The decrease in net profit was mainly attributable to the decrease in recognized income tax income.

For the six months ended 30 June 2010, the Group incurred distribution expenses of approximately RMB37,429,000, as compared to approximately RMB15,164,000 for the corresponding period in 2009, representing an increase of approximately RMB22,265,000. The Group's distribution expenses mainly included transport, export inspection and marketing expenses. Such increase was mainly attributable to the increase in sales volume and the increase in ocean freight expenses caused by the decrease in the proportion of sales in FOB terms.

For the six months ended 30 June 2010, the Group incurred administrative expenses of approximately RMB11,743,000 as compared to approximately RMB16,902,000 for the corresponding period in 2009, representing a decrease of approximately RMB5,159,000. 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 2010, the net finance costs of the Group were approximately RMB20,548,000, as compared to approximately RMB17,779,000 for the corresponding period in 2009, representing an increase of approximately RMB2,769,000. Such increase was mainly due to the increase in average loan interest rate for loans denominated in foreign currency.

For the six months ended 30 June 2010, share of profit from associates of the Group was approximately RMB3,450,000, as compared to approximately RMB1,137,000 in 2009, representing an increase of approximately RMB2,313,000. The increase was due to the increase in sales volume of pectin products by Yantai Andre Pectin Co., Ltd.* (烟台安德利果膠有限公司 ("Andre Pectin")).

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For the six months ended 30 June 2010, the income tax expenses of the Group was approximately RMB1,173,000. The income tax income was approximately RMB9,185,000 for the corresponding period in 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), are recognized as primary processing of agricultural produce under the New Tax Law and therefore are exempt from the PRC income tax. Accordingly, the Group recognised the income tax income of approximately RMB9,185,000 for the corresponding period in 2009. During the six months ended 30 June 2010, the company had reversed certain deferred tax asset arising from some of the income tax payable businesses, thereby incurring the income tax expenses during the reporting period.

Business Review

Stabilising Market Coverage

Since the fourth quarter of 2009, sales in overseas markets improved as a result of the gradual recovery of the global economy. To adapt to the market demand, the Group, through timely adjustment of its operating strategy and by leveraging on its advanced production technology, superb product quality and comprehensive customer service, was able to maintain steady and further market growth.

Expanding Domestic Sales Market

The Group continued to maintain close and stable business relationships with certain renowned beverage manufacturers in China and has developed new good customers with broadened sales channels.

Share of Investment Cost in Two Pomace Companies

On 10 February 2010, each of Xuzhou Andre Juice Co., Ltd.* (徐州安德利果蔬汁有限公司) (“Xuzhou Andre Juice”) and Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司) (“Baishui Andre Juice”), two wholly-owned subsidiaries of the Company, entered into an equity transfer agreement as vendor to sell its 75% equity interest in each of Xuzhou Andre Pomace Products Co., Ltd.* (徐州安德利果渣制品有限公司) (“Xuzhou Andre Pomace”) and Baishui Andre Bio-feedstuff Co., Ltd.* (白水安德利生物飼料有限公司) (“Baishui Andre Bio-feedstuff”), respectively, to Andre Pectin as purchaser. After the completion of these transactions, Baishui Andre Bio-feedstuff and Xuzhou Andre Pomace became associates and are no longer wholly owned subsidiaries of the Company.

* For identification purpose only

Commencement of Production of Joint Venture

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. (“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 joint venture company jointly established and invested by the Group and Uni-President had implemented pilot run at the end of the first quarter of 2010. Trial production and commercial production had started in the second quarter. Upon formal production and operation of the joint venture company, position of our products in the domestic market will be enhanced, which will help drive our market share in the domestic market.

Future Prospects

Market Expansion and Product Diversification

Currently the Group has established relatively stable market penetration and customers groups in major apple juice concentrate consumer markets in the world, namely the US, European, Oceania, African countries and Japan. The Company will put more efforts in the development of various emerging markets, with a view to breaking through these markets. On the other hand, the Company has in recent years explored the market opportunities for its new products and niche products as well as development of new customers groups. This will satisfy both the needs of the market and our customers, as well as fulfill our target of product mix expansion.

Further Exploitation of the Domestic Market

As the domestic consumer market for apple juice concentrate further expands, the Group will continue to maintain good business relationships with existing customers in the coming year while actively exploring new customers through our prime product quality and comprehensive services, with a view to opening a new page in our domestic market sales.

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.

As at 30 June 2010, 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 2010, the Group had a total of 1,252 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 RMB0.0035 per share for the year ended 31 December 2009. The proposal to declare and pay this final dividend was passed at the annual general meeting of the Company held on 30 June 2010.

The Board proposed not to distribute interim dividend for the period ended 30 June 2010.

SIGNIFICANT INVESTMENT

No significant investment was made by the Group during the six months ended 30 June 2010.

MATERIAL ACQUISITION AND DISPOSAL

On 10 February 2010, (1) Xuzhou Andre Juice, a wholly-owned subsidiary of the Company, and Xuzhou Andre Pomace entered into a share transfer agreement with Andre Pectin to sell 75% equity interest held by Xuzhou Andre Juice in Xuzhou Andre Pomace to Andre Pectin for a cash consideration of approximately RMB3,222,000; (2) Baishui Andre Juice, a wholly-owned subsidiary of the Company, and Baishui Andre Bio-feedstuff entered into a share transfer agreement with Andre Pectin to sell 75% equity interest held by Baishui Andre Juice in Baishui Andre Bio-feedstuff to Andre Pectin for a cash consideration of approximately RMB3,468,000.

These share transfers were completed in March 2010. Andre Pectin currently owns 75% equity interest in each of Xuzhou Andre Pomace and Baishui Andre Bio-feedstuff and the remaining 25% equity interest in each of Xuzhou Andre Pomace and Baishui Andre Bio-feedstuff are indirectly held by the Company. Mr. Wang An, a Director of the Company, through his controlled corporation, Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) has 40% equity interest in Andre Pectin.

Saved as the disposals referred above, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2010.

CONTINGENT LIABILITIES

As at 30 June 2010, the Directors were not aware of any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2010, 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 by internally generated financial resources and loans from banks. As at 30 June 2010, the Group had outstanding short-term and long-term bank loans of approximately RMB616,143,000 and RMB224,100,000 respectively. As at 30 June 2010, the short-term bank loans of RMB494,000,000 bore interest at rates ranging from 4.05% to 5.40% per annum and the short-term bank loans of RMB67,909,000 bore floating interest rate of higher of SIBOR + 1.35% or USD best lending rate, the short-term bank loans of RMB54,234,000 bore fixed interest rates ranging from 2% to 3.30531% per annum. The long-term bank loans bore floating interest rate of LIBOR +3.2%, with maturity in 2012.

As at 30 June 2010, the Group had a net cash and cash equivalent position of approximately RMB344,336,000. The Group's gearing ratio at 30 June 2010 was approximately 47% (30 June 2009: approximately 45%) which was calculated based on the Group's total liabilities of approximately RMB1,019,835,000 (30 June 2009: approximately RMB905,131,000) and total equity and liabilities of approximately RMB2,179,278,000 (30 June 2009: approximately RMB2,023,405,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

FOREIGN EXCHANGE EXPOSURE

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2010, 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 DEBENTURES OF THE COMPANY

As at 30 June 2010, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (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 such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions and short 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 corporations (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.

- As at 30 June 2010, 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.
- 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).
- 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.

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

As at 30 June 2010, so far as the Directors are aware, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and short positions in the shares, underlying shares and debentures of the Company which were 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 and short 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) <i>(Note 1)</i>	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) <i>(Note 2)</i>	Beneficial owner	Corporate	29.80% (L)	17.50% (L)
Donghua Fruit Industry Co., Ltd.	Domestic Shares	657,794,593 (L) <i>(Note 3)</i>	Beneficial owner	Corporate	26.26% (L)	15.42% (L)
Uni-President Enterprises Corp.	Domestic Shares	637,460,401 (L) <i>(Note 4)</i>	Interests of controlled corporations <i>(Note 5)</i>	Corporate	25.44% (L)	14.94% (L)
Atlantis Investment Management (Hong Kong) Limited	H Shares	317,000,000 (L) <i>(Note 6)</i>	Investment manager	Corporate	18.01% (L)	7.43% (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	110,244,020 (L)	Custodian corporation/ approved lending agent	Corporate	6.26% (L)	2.58% (L)
		110,244,020 (P) <i>(Note 7)</i>			6.26% (P)	2.58% (P)

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Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Type of Interest	Approximate percentage of Domestic Shares/H Shares	Approximate percentage of total share capital
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)

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 directly held by Donghua Fruit Industry Co., Ltd.. Based on the information provided by Donghua Fruit Industry Co., Ltd., Mr. Zhang Jiaming is deemed to be interested in such 657,794,593 Domestic Shares.
- (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) According to the public information available on the website of the Stock Exchange, Atlantis Investment Management (Hong Kong) Limited was a controlled corporation of Atlantis Investment Management Limited, which was in turn controlled by Liu Yang; Atlantis Investment Management Limited and Liu Yang were deemed to be interested in such 317,000,000 H Shares.
- (7) These H Shares were held directly by JP Morgan Chase Bank N.A., a wholly-owned subsidiary of JP Morgan Chase & Co..

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COMPETING INTERESTS

Mr. Wang An, a Director of the Company, through his controlled corporation, Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), has 40% equity interest in Andre Pectin. The Company currently has 20% equity interest in Andre Pectin.

Save as disclosed above, 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.

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 2010 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 2010.

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 2010.

* *For identification purpose only*

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 Qu Wen, who is the Chairlady of the audit committee, Yu Shou Neng and Xu Guang Zhou.

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 2010.

As at the date hereof, the Board comprises:

Mr. Wang An (*Executive Director*)

Mr. Zhang Hui (*Executive Director*)

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

Mr. Liu Tsung-Yi (*Non-executive Director*)

Mr. Jiang Hong Qi (*Non-executive Director*)

Ms. Yu Shou Neng (*Independent non-executive Director*)

Ms. Qu Wen (*Independent non-executive Director*)

Mr. Xu Guang Zhou (*Independent non-executive Director*)

By order of the Board
Yantai North Andre Juice Co., Ltd.*
Wang An
Chairman

Yantai, the PRC, 10 August 2010

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