安德利
ANDRE

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 : 02218)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "**Board**") of Yantai North Andre Juice Co., Ltd.* (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020, with the comparatives of the corresponding period in 2019, as follows:

Consolidated Balance Sheet-unaudited
As at 30 June 2020
(Expressed in Renminbi Yuan)

	Note	30 June 2020	31 December 2019
Assets			
Current assets:			
Cash at bank and on hand	V.1	**731,473,515**	274,050,303
Bills receivable	V.2	**1,600,000**	2,944,118
Accounts receivable	V.3	**205,241,252**	216,312,169
Prepayments	V.4	**6,642,167**	4,676,890
Other receivables	V.5	**619,822**	86,037,197
Inventories	V.6	**383,789,083**	647,020,754
Other current assets	V.7	**10,216,498**	20,342,931
Total current assets		**1,339,582,337**	1,251,384,362
Non-current assets:			
Fixed assets	V.8	**671,730,812**	687,534,842
Construction in progress	V.9	**35,929,352**	2,442,322
Intangible assets	V.10	**91,466,259**	92,733,394
Goodwill	V.11	**5,586,976**	5,586,976
Total non-current assets		**804,713,399**	788,297,534
Total assets		**2,144,295,736**	2,039,681,896

The notes on pages 13 to 78 form part of these financial statements.

	Note	**30 June 2020**	31 December 2019
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	V.14	**41,410,719**	50,333,299
Contract liabilities	V.15	**1,148,050**	1,068,781
Employee benefits payable	V.16	**13,824,105**	15,698,188
Taxes payable	V.17	**10,966,442**	2,667,443
Other payables	V.18	**31,330,213**	16,807,137
Total current liabilities		**98,679,529**	86,574,848
Non-current liabilities:			
Long-term payables		**1,653,008**	1,634,491
Deferred income	V.19	**45,000,000**	39,000,000
Total non-current liabilities		**46,653,008**	40,634,491
Total liabilities		**145,332,537**	127,209,339
Shareholders' equity:			
Share capital	V.20	**358,000,000**	358,000,000
Capital reserve	V.21	**17,291,715**	17,291,715
Surplus reserve	V.22	**128,215,585**	128,215,585
Retained earnings	V.23	**1,495,455,899**	1,408,965,257
Total shareholders' equity		**1,998,963,199**	1,912,472,557
Total liabilities and shareholders' equity		**2,144,295,736**	2,039,681,896

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An　　Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei　　(Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Company Balance Sheet-unaudited

As at 30 June 2020

(Expressed in Renminbi Yuan)

	Note	**30 June 2020**	31 December 2019
Assets			
Current assets:			
Cash at bank and on hand		**668,562,629**	231,377,965
Bills receivable	X.1	**1,600,000**	1,875,118
Accounts receivable	X.2	**154,935,488**	139,618,261
Prepayments		**1,038,624**	368,111
Other receivables	X.3	**140,710,263**	278,780,741
Inventories		**44,563,649**	59,012,032
Other current assets		**6,107,288**	5,771,652
Total current assets		**1,017,517,941**	716,803,880
Non-current assets:			
Long-term equity investments	X.4	**429,794,824**	429,794,824
Fixed assets		**137,703,983**	142,078,302
Construction in progress		**574,307**	–
Intangible assets		**28,822,646**	29,285,600
Total non-current assets		**596,895,760**	601,158,726
Total assets		**1,614,413,701**	1,317,962,606

The notes on pages 13 to 78 form part of these financial statements.

	Note	**30 June 2020**	31 December 2019
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans		**–**	–
Accounts payable		**18,849,149**	30,577,090
Contract liabilities		**422,526**	342,560
Employee benefits payable		**1,173,437**	1,413,686
Taxes payable		**607,036**	655,517
Other payables		**584,431,529**	296,387,455
Total current liabilities		**605,483,677**	329,376,308
Total liabilities		**605,483,677**	329,376,308
Shareholders' equity:			
Share capital	V.20	**358,000,000**	358,000,000
Capital reserve		**43,534,413**	43,534,413
Surplus reserve		**128,215,585**	128,215,585
Retained earnings		**479,180,026**	458,836,300
Total shareholders' equity		**1,008,930,024**	988,586,298
Total liabilities and shareholders' equity		**1,614,413,701**	1,317,962,606

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Consolidated Income Statement-unaudited
For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June **2020**	2019
I	Operating income	V.24	**470,121,306**	376,868,830
II	Less: Operating costs	V.24	**332,890,629**	262,268,253
	Taxes and surcharges	V.25	**5,116,612**	5,181,792
	Selling and distribution expenses		**33,859,119**	19,262,293
	General and administrative expenses		**16,912,425**	18,817,979
	Research and development expenses		**861,918**	882,256
	Financial expenses	V.26	**(6,433,112)**	(2,337,882)
	Including: Interest expenses		**18,517**	24,607
	Interest income		**2,609,128**	3,143,254
	Add: Other income	V.27(2)	**1,002,781**	316,000
	Investment income	V.28	**5,662,070**	3,473,057
	Including: investment income from derecognition of financial assets at amortised cost		**–**	994,096
	Credit losses	V.29	**(3,811,660)**	3,093,458
	Impairment losses	V.30	**18,047**	103,838
	(Losses)/gains from asset disposals		**(1,349)**	(4,102)
III	Operating profit		**89,783,604**	79,776,390
	Add: Non-operating income		**435**	315
	Less: Non-operating expenses	V.31	**1,153,821**	27,955
IV	Profit before taxation		**88,630,218**	79,748,750
	Less: Income tax expenses	V.32	**2,139,576**	63,229
V	Net profit for the period and net profit attributable to shareholders of the Company		**86,490,642**	79,685,521
VI	Other comprehensive income, net of tax		**–**	–
VII	Total comprehensive income for the period and total comprehensive income attributable to shareholders of the Company		**86,490,642**	79,685,521
VIII	Earnings per share:			
	(1) Basic earnings per share	V.33	**0.242**	0.223
	(2) Diluted earnings per share	V.33	**0.242**	0.223

Approved and authorised for issue by the board of directors on 26 Aug 2020.

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Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Company Income Statement-unaudited
For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

	Note	For the six-month period ended 30 June	
		2020	2019
I Operating income	X.5	**327,769,690**	217,883,349
II Less: Operating costs	X.5	**294,576,569**	182,825,108
Taxes and surcharges		**2,128,394**	1,241,330
Selling and distribution expenses		**20,710,455**	7,391,062
General and administrative expenses		**5,652,016**	6,520,606
Research and development expenses		**861,918**	882,256
Financial expenses		**(5,417,024)**	(2,976,982)
Including: Interest expenses		**–**	6,090
Interest income		**2,393,354**	2,838,292
Add: Other income		**344,149**	163,000
Investment income	X.6	**13,249,690**	119,236,127
Including: investment income from derecognition of financial assets at amortised cost		**–**	994,096
Credit losses		**(2,524,173)**	6,064,228
Impairment losses		**18,047**	(696,081)
(Losses)/gains from asset disposal		**(1,349)**	(4,102)
III Operating profit		**20,343,726**	146,763,141
Less: Non-operating expenses		**–**	200
IV Profit before income tax		**20,343,726**	146,762,941
Less: Income tax expenses		**–**	–
V Net profit for the period		**20,343,726**	146,762,941
VI Other comprehensive income, net of tax		**–**	–
VII Total comprehensive income for theperiod		**20,343,726**	146,762,941

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The notes on pages 13 to 78 form part of these financial statements.

Consolidated Cash Flow Statement-unaudited
For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

	Note	For the six-month period ended 30 June **2020**	2019
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		**495,260,483**	427,278,008
Refund of taxes		**36,460,915**	24,710,197
Proceeds from other operating activities		**94,517,898**	6,933,746
Sub-total of cash inflows		**626,239,296**	458,921,951
Payments for goods and services		**(76,305,695)**	(48,361,214)
Payments to and for employees		**(23,258,694)**	(26,932,851)
Payments of various taxes		**(11,971,919)**	(19,560,717)
Payments for other operating activities		**(43,669,967)**	(23,594,071)
Sub-total of cash outflows		**(155,206,275)**	(118,448,853)
Net cash inflow from operating activities	V.35(1)	**471,033,021**	340,473,098
II. Cash flows from investing activities:			
Proceeds from disposal of financial assets		**2,514,080,000**	1,717,830,000
Investment returns received		**5,662,070**	3,473,057
Net proceeds from disposal of fixed assets		**143,996**	–
Proceeds from other investing activities		**2,609,128**	3,143,254
Sub-total of cash inflows		**2,522,495,194**	1,724,446,311
Payments for acquisition of financial assets		**(2,514,080,000)**	(1,717,830,000)
Payments for acquisition of fixed assets, construction in progress and intangible assets		**(22,677,148)**	(27,542,307)
Sub-total of cash outflows		**(2,536,757,148)**	(1,745,372,307)
Net cash outflow from investing activities		**(14,261,954)**	(20,925,996)

The notes on pages 13 to 78 form part of these financial statements.

	Note	For the six-month period ended 30 June **2020**	2019
III. Cash flows from financing activities:			
Proceeds from other financing activities		**–**	1,050,000
Sub-total of cash inflows		**–**	1,050,000
Repayments of borrowings		**–**	(50,000,000)
Payments for interest		**–**	(73,080)
Sub-total of cash outflows		**–**	(50,073,080)
Net cash outflow from financing activities		**–**	(49,023,080)
IV. Effect of foreign currency exchange rate changes on cash and cash equivalents		**652,145**	271,139
V. Net increase in cash and cash equivalents	V.35(1)	**457,423,212**	270,795,161
Add: Cash and cash equivalents at the beginning of the period		**274,050,303**	378,686,607
VI. Cash and cash equivalents at the end of the period	V.35(2)	**731,473,515**	649,481,768

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An   Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Company Cash Flow Statement-unaudited
For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

	For the six-month period ended 30 June	
	2020	2019
I. Cash flows from operating activities:		
Proceeds from sale of goods	**320,291,181**	279,825,035
Refund of taxes	**26,570,910**	20,101,086
Proceeds from other operating activities	**4,302,153**	5,111,387
Sub-total of cash inflows	**351,164,244**	305,037,508
Payments for goods and services	**(34,228,284)**	(120,608,552)
Payments to and for employees	**(5,550,784)**	(8,031,561)
Payments of various taxes	**(2,204,629)**	(960,159)
Payments for other operating activities	**(24,293,753)**	(13,122,954)
Sub-total of cash outflows	**(66,277,450)**	(142,723,226)
Net cash inflow from operating activities	**284,886,794**	162,314,282
II. Cash flows from investing activities:		
Proceeds from disposal of financial assets	**2,429,080,000**	1,717,830,000
Investment returns received	**13,249,690**	119,236,127
Net proceeds from disposal of fixed assets	**2,188**	–
Proceeds from other investing activities	**140,491,311**	52,895,612
Sub-total of cash inflows	**2,582,823,189**	1,889,961,739
Payments for acquisition of financial assets	**(2,429,080,000)**	(1,717,830,000)
Payments for acquisition of fixed assets, construction in progress and intangible assets	**(1,657,291)**	(2,175,430)
Sub-total of cash outflows	**(2,430,737,291)**	(1,720,005,430)
Net cash inflow from investing activities	**152,085,898**	169,956,309

The notes on pages 13 to 78 form part of these financial statements.

	For the six-month period ended 30 June	
	2020	2019
III. Cash flows from financing activities:		
Proceeds from other financing activities	**–**	1,050,000
Sub-total of cash inflows	**–**	1,050,000
Repayments of borrowings	**–**	(50,000,000)
Payments for interest	**–**	(73,080)
Sub-total of cash outflows	**–**	(50,073,080)
Net cash outflow from financing activities	**–**	(49,023,080)
IV. Effect of foreign currency exchange rate changes on cash and cash equivalents	**211,972**	154,352
V. Net increase in cash and cash equivalents	**437,184,664**	283,401,863
Add: Cash and cash equivalents at the beginning of the period	**231,377,965**	300,983,157
VI. Cash and cash equivalents at the end of the period	**668,562,629**	584,385,020

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An　　Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei　　(Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2019	358,000,000	17,291,715	–	107,581,973	1,296,130,146	1,779,003,834
Changes in equity for the period						
1. Total comprehensive income	–	–	–	–	79,685,521	79,685,521
2. Appropriation of profits						
– Distributions to shareholders	–	–	–	–	(35,800,000)	(35,800,000)
Balance at 30 June 2019	358,000,000	17,291,715	–	107,581,973	1,340,015,667	1,822,889,355
Balance at 1 January 2020	**358,000,000**	**17,291,715**	**–**	**128,215,585**	**1,408,965,257**	**1,912,472,557**
Change in equity for the period						
1. Total comprehensive income	**–**	**–**	**–**	**–**	**86,490,642**	**86,490,642**
Balance at 30 June 2020	**358,000,000**	**17,291,715**	**–**	**128,215,585**	**1,495,455,899**	**1,998,963,199**

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Company Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2020
(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2019	358,000,000	43,534,413	–	107,581,973	308,933,776	818,050,162
Changes in equity for the period						
1. Total comprehensive income	–	–	–	–	146,762,941	146,762,941
2. Appropriation of profits						
– Distributions to shareholders	–	–	–	–	(35,800,000)	(35,800,000)
Balance at 30 June 2019	358,000,000	43,534,413	–	107,581,973	419,896,717	929,013,103
Balance at 1 January 2020	**358,000,000**	**43,534,413**	**–**	**128,215,585**	**458,836,300**	**988,586,298**
Change in equity for the period						
1. Total comprehensive income	**–**	**–**	**–**	**–**	**20,343,726**	**20,343,726**
Balance at 30 June 2020	**358,000,000**	**43,534,413**	**–**	**128,215,585**	**479,180,026**	**1,008,930,024**

Approved and authorised for issue by the board of directors on 26 Aug 2020.

Legal Representative: Wang An   Chief Financial Officer: Wang Yan Hui

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 78 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

I. Company status

Yantai North Andre Juice Company Limited (the "**Company**"), was named Yantai North Andre Juice Company Limited which was established in Yantai on 30 March 1996. Headquarter of the Company is located in Yantai, Shandong Province.

The principal activities of the Company and its subsidiaries (the "**Group**") are in the manufacture and sale of condensed juice, pulp, apple essence, pomace and related products. For information about the subsidiaries of the Company, refer to Note VI.

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III. Significant accounting policies and accounting estimates

Accounting policies for the recognition and measurement of provisions for receivables, recognition of cost of inventories, depreciation of fixed assets, amortisation of intangible assets, and revenue recognition and measurement of the Group are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes on accounting policies.

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) and present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2020, and the consolidated and the Company's financial performance and the consolidated and the Company's cash flows for the six-month period ended 30 June 2020.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.7.

III. Significant accounting policies and accounting estimates (continued)

4 Accounting treatments for business combinations involving entities under common control and not under common control

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.15). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition; Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

III. Significant accounting policies and accounting estimates (continued)

5 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost. Any resulting gains or losses are also recognised as investment income for the current period.

6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

III. Significant accounting policies and accounting estimates (continued)

7 Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the construction of qualifying assets (see Note III.13). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from Equity investments at FVOCI, which are recognised in other comprehensive income.

Assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding "retained earnings", are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

8 Financial instruments

Financial instruments include cash at bank and on hand, investments in equity securities other than those classified as long-term equity investment (see Note III.10), receivables, payables, loans and borrowings and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable without a significant financing component is initially measured at the transaction price according to Note III.19.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at FVOCI, or at fair value through profit or loss ("**FVTPL**").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

III. **Significant accounting policies and accounting estimates (continued)**

8 Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

(a) Classification of financial assets (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

– Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

– Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts;

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(5) Derecognition of financial assets and financial liabilities (continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred measured at the date of derecognition;

– the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

– financial assets measured at amortised cost;and

– contract assets.

Financial assets measured at fair value, including debt investments at FVTPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(6) Impairment (continued)

Except for trade receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

– If the financial instrument is determined to have low credit risk at the balance sheet date;

– If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The credit risk on fixed deposit which deposit in commercial bank with higher bank's credit rating is considered low.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(6) Impairment (continued)

Significant increases in credit risk (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 1 day past due.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 60 days past due.

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial assets carried at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

9 Inventories

(1) Classification and cost

Inventories include raw materials, work in progress, semi-finished goods and finished goods.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads.

(2) Measurement method of cost of inventories

Cost of inventories recognised is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are charged to profit or loss upon receipt. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

III. Significant accounting policies and accounting estimates (continued)

9 Inventories (continued)

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a perpetual inventory system.

10 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

– The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings.

– For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

(b) Long-term equity investments acquired other than through a business combination

– A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

III. Significant accounting policies and accounting estimates (continued)

10 Long-term equity investments (continued)

(2) Subsequent measurement of long-term equity investment

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.16.

In the Group's consolidated financial statements, long-term equity investments in subsidiaries are accounted for in accordance with the policies described in Note III.5.

11 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.12.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held-for-sale.

III. Significant accounting policies and accounting estimates (continued)

11 Fixed assets (continued)

(2) Depreciation of fixed assets (continued)

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	**Estimated useful life (years)**	**Residual value rate (%)**	**Depreciation rate (%)**
Plant and buildings	35-40 years	10%	2.25%-2.57%
Machinery and equipment	20 years	10%	4.50%
Office and other equipment	5 years	10%	18.00%
Motor vehicles	5 years	10%	18.00%
Plant and buildings leased out under operating leases	40 years	10%	2.25%

Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.16.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

– when the fixed asset is holding for disposal; or

– when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

12 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.13), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.16).

III. Significant accounting policies and accounting estimates (continued)

13 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

– Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

– To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

14 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.16). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

III. Significant accounting policies and accounting estimates (continued)

14 Intangible assets (continued)

The amortisation period for intangible assets is as follows:

Item	Amortisation period (years)
Land use right	35-50 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful life.

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note III.16). Other development expenditure is recognised as an expense in the period in which it is incurred.

15 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.16). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

16 Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- long-term equity investments
- goodwill

III. Significant accounting policies and accounting estimates (continued)

16 Impairment of assets other than inventories and financial assets (continued)

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.17) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

17 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

18 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

18 Provisions (continued)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

– Where the contingency involves a single item, the best estimate is the most likely outcome.

– Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

19 Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition (continued)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.8(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

Sales are recognised when control of the products has transferred to the customers, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the product. Delivery occurs when the products have been shipped to the specific location (included shipping port, designated delivery point within or without China etc.), the risk of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

If the customers perform quality inspection when they use the products and pay the consideration at that time, the products are delivered to the customers when the customers use the products.

III. Significant accounting policies and accounting estimates (continued)

20 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;

- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "**assets related to contract costs**") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

III. Significant accounting policies and accounting estimates (continued)

21 Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

– When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

– When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

22 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

III. Significant accounting policies and accounting estimates (continued)

22 Government grants (continued)

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

Grants related to assets shall be used to offset the book value of relevant assets by the Group. A grant that compensates the Group for expenses to be incurred in the future is recognised initially as deferred income, and released to the other income or non-operating income in the periods in which the expenses are recognised. A grant that compensates the Group for expenses already incurred is recognised in profit or loss, or recorded in the other income or non-operating income.

Where the Group obtains an interest subsidy for policy-related preferential loans, the accounting treatment is as follows:

– Where the government appropriates an interest subsidy to the lending bank, allowing the latter to provide loans to an enterprise at a preferential interest rate, recognizing the loan amount received as the book-entry value of such loans, and calculating the relevant loan expenses according to the loan principal and the preferential interest rate;

– Where the government directly appropriates an interest subsidy to the Group, the Group shall use the interest subsidy to offset relevant loan expenses.

23 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

III. Significant accounting policies and accounting estimates (continued)

23 Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;

- different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

24 Lease

Lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether:

- The use of an identified asset is involved in the contract. An identified asset is explicitly specified or implicitly specified at the time that the asset is made available for use by the customer in a contract, when a capacity or other portion of an asset is an identified asset if it is physically distinct, otherwise the asset is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. The asset is not an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;

- The lessee has the right to obtain substantially all of the economic benefits from use of the identified asset;

- The lessee has the right to direct the use of the identified asset.

The lessee and the lessor shall split the contract for which contains multiple single lease, and determine the accounting treatment to every single lease. The lessee and the lessor shall split the lease component and non-lease components when the contract contains both of them. The lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor shall allocate the consideration in accordance with the accounting policy of transaction price allocation described in Note III.19.

III. Significant accounting policies and accounting estimates (continued)

24 Lease (continued)

(1) The Group as lessee

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date(less any lease incentives received), any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group depreciates the right-of-use asset on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognized in accordance with the accounting policy described in Note III.16.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group shall use the incremental borrowing rate.

The Group shall recognize the interest based on a constant periodic interest rate on the lease liability in profit or loss or the cost of underlying assets in each period during the lease term. The variable lease payments not included in the measurement of the lease liability shall be recognized in profit or loss or the cost of underlying assets in the period when it occurs.

After the commencement date, the Group shall apply the present value of revised lease payment to remeasure the lease liability, for the following situations occurs:

– there is a change in the amounts expected to be payable under a residual value guarantee;

– there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

– there is a change in the assessment of an option to purchase, extend or terminate the lease of underlying asset, or the practical exercise of an option to extend or terminated the lease is inconsistent with the original assessment.

The Group shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognize any remaining amount of the remeasurement in profit or loss.

(2) The Group as lessor

At the commencement date, the Group shall classify each of its leases as either an operating lease or a finance lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

III. Significant accounting policies and accounting estimates (continued)

24 Lease (continued)

(2) The Group as lessor (continued)

At the commencement date, the Group shall derecognise assets held under a finance lease and present them as a receivable at an amount equal to the net investment in the lease. Net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group shall recognise finance income over the lease term, based on constant periodic rate of return. The Group shall apply the derecognition and impairment requirements in accordance with the accounting policy described in Note III.8. The variable lease payments not included in the measurement of net investment in the lease shall be recognised in profit or loss when it occurs.

The Group shall recognise lease payments from operating leases as income on a straight-line basis. The Group shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss when it occurs.

Fixed assets leased out under operating leases, are depreciated in accordance with the Group's depreciation policies described in Note III.11(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.16.

25 Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

26 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

27 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

III. Significant accounting policies and accounting estimates (continued)

28 Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note V.11 contain information about the assumptions and their risk factors relating to impairment of goodwill. Other key sources of estimation uncertainty are as follows:

– Impairment of receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Therefore, where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the period in which such estimates have been changed.

– Provision for impairment of inventories

As described in Note III.9, the net realisable value of inventories is under management's regular review, and as a result, provision for impairment of inventories is recognised for the excess of inventories' carrying amounts over their net realisable values. When making estimates of net realisable value, the Group takes into consideration the use of inventories and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and related taxes may vary based on changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in changes in the provision for impairment of inventories. The net profit or loss may then be affected in the period when the impairment of inventories is adjusted.

– Impairment of assets other than inventories and financial assets

As described in Note III.16, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. When a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

III. Significant accounting policies and accounting estimates (continued)

28 Significant accounting estimates and judgments (continued)

– Depreciation and amortisation of assets such as fixed assets and intangible assets

As described in Notes III. 11 and 14, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

– Income tax

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	9%, 10%, 13%, 16%
Property tax	Price based tax: 1.2% of the residual value after deducting 30% from the original value of the property; rental income based tax: 12% of the rental income	
City maintenance and construction tax	Based on VAT paid	1%, 5%, 7%
Education surcharges	Based on VAT paid	3%
Local education surcharges	Based on VAT paid	2%
Enterprise income tax	Based on taxable profits	15%, 25%

Note: According to the Announcement on Policies for Deepening the VAT Reform of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Cai Shui [2019] No.39), the taxable business with VAT rates of 16% and 10% were changed to 13% and 9% respectively from 1 April 2019.

IV. Taxation (continued)

1 Main types of taxes and corresponding tax rates (continued)

Note: (continued)

According to the announcement of the State Administration of Taxation of Shaanxi Province and the Department of finance of Shaanxi Province on the trial implementation of the verification and deduction method of input VAT of agricultural products in the concentrated fruit juice industry, the notice of the Department of finance of Shanxi Province and the State Administration of Taxation of Shanxi Province on the inclusion of fruit vegetable juice and fruit vegetable beverage and other industries into the verification and deduction pilot of input VAT, and the notice of the State Administration of Taxation of Dalian and the Finance Bureau of Dalian on expanding the verification and deduction of input VAT on agricultural products, Baishui Andre Juice Co. and Liquan Yitong Juice Co., Ltd. of the Group have been applicable to the verification and deduction of input tax of value added tax on agricultural products since January 2014, Yongji Andre Juice Co., Ltd. applied it since December 2014 and Dalian Andre Juice Co., Ltd. applied it since April 2018 respectively. When purchasing agricultural products, the book value of raw materials shall be recognised according to the purchase price including input VAT. When selling finished goods, the approved deduction of input VAT shall be offset against the operating costs in current period. Therefore, the balance of deductible input VAT at the end of the year/period does not include the input VAT attributed from the purchased agricultural products which have not been sold out through finished goods.

2 Tax preferential benefit

The Company and other domestic subsidiaries are subject to income tax rate 25% in 2020 (2019: 25%) except for the following subsidiaries and the overseas subsidiaries of the Company which were taxed at the local applicable income tax rates.

(a) According to implementing the Western Development Program about taxation preferential policy issued by Ministry of Finance, State Administration of Taxation, General Administration of Customs (Cai Shui No.202[2001]), notice of the State Administration of Taxation on specific opinions for implementing taxation policies for the Great Development of the Western Regions (Guo Shui Fa No.47[2002]), notice of State Council on implementation of transitional enterprise income tax incentives (Guo Fa No.39[2007]), the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, notice of Ministry of Finance, State Administration of Taxation, General Administration of Customs on implementation of Western Development Program about taxation policy (Cai Shui No.58[2011]), the income tax rate is 15% for Baishui Andre Juice Co., Ltd. from 2011 to 2020 and 15% for Anyue Andre Lemon Industry Technology Co., Ltd. from 2017 to 2020.

(b) According to the announcement of the Ministry of Finance and the State Administration of Taxation on the issuance of the scope of primary processing of agricultural products (for trial Implementation) enjoying preferential policies of enterprise income tax (Cai Shui [2008] No. 149), for the six-month period ended at 30 June 2020, the produce and sale of fruit juice and bio-stuff by Yantai North Andre Juice Co., Ltd., Baishui Andre Juice Co., Ltd., Xuzhou Andre Juice Co., Ltd., Yantai Longkou Andre Juice Co., Ltd., Dalian Andre Juice Co., Ltd., Yongji Andre Juice Co., Ltd., Liquan Yitong Juice Co., Ltd. and Anyue Andre Lemon Industry Technology Co., Ltd. are exempt from the PRC income tax.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	**30 June 2020**	31 December 2019
Cash on hand	**45,788**	78,549
Deposits with banks	**731,427,727**	273,971,754
Total	**731,473,515**	274,050,303

As at 30 June 2020 and 31 December 2019, there are no bank deposits with restrictions placed on the Group's ownership.

2 Bills receivable

Item	**30 June 2020**	31 December 2019
Bank acceptance bills	**1,600,000**	2,944,118

All of the above bills receivable were due within one year, and were not pledged.

As at 30 June 2020, the carrying amount of undue bills receivable that have been endorsed and derecognized are RMB700,000, the remaining maturities of the derecognized bills ranged from 1 to 5 months (31 December 2019: RMB1,100,000, the remaining maturities of the derecognized bills range from 1 to 5 months).

According to the Bill Law of the People's Republic of China, if the acceptance banks of bills receivable that are discounted or endorsed by the Group refuse to pay the bills, the bills' holders have recourse to the Group. The Board of Directors believe that the Group had substantially transferred almost all the risks and rewards of those bills which have been endorsed and derecognized. Therefore, the Group derecognized these bills in full.

3 Accounts receivable

(1) Accounts receivable by customer type are as follows:

Customer type	**30 June 2020**	31 December 2019
Third Parties	**201,853,801**	211,754,002
Related Parties	**15,654,235**	13,013,291
Sub-total	**217,508,036**	224,767,293
Less: Provision for bad and doubtful debts	**12,266,784**	8,455,124
Total	**205,241,252**	216,312,169

V. **Notes to the consolidated financial statements (continued)**

3 Accounts receivable (continued)

(2) The ageing analysis of accounts receivable is as follows:

Ageing	**30 June 2020**	31 December 2019
Within 6 months (inclusive)	**210,944,367**	223,227,441
Over 6 months but within 1 year (inclusive)	**6,561,057**	1,531,278
Over 1 year but within 2 years (inclusive)	**2,612**	8,574
Sub-total	**217,508,036**	224,767,293
Less: Provision for bad and doubtful debts	**12,266,784**	8,455,124
Total	**205,241,252**	216,312,169

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by provisioning method is as follows:

Assessment of ECLs on accounts receivable:

The group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

The following table provides information about the group's exposure to credit risk and ECLs for trade receivables as at 30 June 2020:

30 June 2020	**Loss given default**	**Carrying amount at the end of the period**	**Impairment loss at the end of the period**
Current	3%	198,159,195	5,944,776
1-30 days past due	20%	14,237,700	2,847,540
31-60 days past due	40%	2,727,788	1,091,115
Over 61 days past due	100%	2,383,353	2,383,353
Total		217,508,036	12,266,784

The loss given default is measured based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

V. Notes to the consolidated financial statements (continued)

3 Accounts receivable (continued)

(4) Movement in the provision for bad and doubtful debts:

	30 June 2020	31 December 2019
Balance at the beginning of the period/ Adjusted balance at the beginning of the year	**8,455,124**	8,028,504
Reversals during the period/year	**–**	(3,545,408)
Additions during the period/year	**3,811,660**	3,972,028
Balance at the end of the period/year	**12,266,784**	8,455,124

4 Prepayments

(1) Prepayments by category are as follows:

Item	**30 June 2020**	31 December 2019
Third Parties	**6,642,167**	4,676,890
Less: Provision for bad and doubtful debts	**–**	–
Total	**6,642,167**	4,676,890

(2) The ageing analysis of prepayments is as follows:

	30 June 2020		31 December 2019	
Ageing	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Within 1 year (inclusive)	**6,642,167**	**100%**	4,676,890	100%

The ageing is counted starting from the date when prepayments are recognised.

5 Other receivables

Item	Note	**30 June 2020**	31 December 2019
Others	(1)	**619,822**	86,037,197

V. Notes to the consolidated financial statements (continued)

5 Other receivables (continued)

(1) Others

(a) Other receivables by customer type are as follows:

Type	30 June 2020	31 December 2019
Third parties	**619,822**	86,037,197
Sub-total	**619,822**	86,037,197
Less: Provision for bad and doubtful debts	**–**	–
Total	**619,822**	86,037,197

As at 31 December 2019, the balance of other receivables of the Group is mainly based on the land storage agreement signed by Longkou Natural Resources and Planning Bureau and Longkou Andre Juice Co., Ltd. ("**Longkou Andre**") in November 2019. Longkou Natural Resources and Planning Bureau restored the land use right of Longkou Andre and provided the compensation of RMB84,154,999 in accordance with the land storage agreement. The above compensation includes: (1) RMB45,154,999 for the relocation of land, buildings and other facilities under the land storage agreement; (2) RMB39,000,000 for the construction of new plants and other production facilities. According to the above-mentioned land storage agreement, Longkou Andre has handed over the above-mentioned land (net book value of RMB13,240,080) and above-metioned buildings and other facilities (net book value of RMB30,880,821) to Longkou Natural Resources and Planning Bureau before the end of 2019, and recognised the corresponding government compensation of RMB45,154,999. The compensation of RMB39,000,000 that related to the construction of new plant has been accounted as the deferred income. The above-mentioned compensation of RMB84,154,999 has been received in January 2020.

(b) The ageing analysis is as follows:

Ageing	30 June 2020	31 December 2019
Within 1 year (inclusive)	**600,004**	86,015,279
Over 1 year but within 2 years (inclusive)	**–**	2,100
Over 2 years but within 3 years (inclusive)	**–**	19,818
Over 3 years	**19,818**	–
Sub-total	**619,822**	86,037,197
Less: Provision for bad and doubtful debts	**–**	–
Total	**619,822**	86,037,197

The ageing is counted starting from the date when other receivables are recognised.

V. Notes to the consolidated financial statements (continued)

6 Inventories

(1) Inventories by category are as follows:

Item	30 June 2020 Book value	30 June 2020 Provision for impairment of inventories	30 June 2020 Carrying amount	31 December 2019 Book value	31 December 2019 Provision for impairment of inventories	31 December 2019 Carrying amount
Raw materials and packaging materials	**45,510,567**	**–**	**45,510,567**	33,988,932	–	33,988,932
Work in progress	**32,056,315**	**–**	**32,056,315**	–	–	–
Finished goods	**307,881,193**	**(1,658,992)**	**306,222,201**	614,873,140	(1,841,318)	613,031,822
Total	**385,448,075**	**(1,658,992)**	**383,789,083**	648,862,072	(1,841,318)	647,020,754

As at 30 June 2020 and 31 December 2019, no inventories were pledged as securities by the Group.

(2) An analysis of the movements of inventories for the period is as follows:

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Raw materials and packaging materials	33,988,932	41,291,992	29,770,357	45,510,567
Work in progress	–	32,056,315	–	32,056,315
Finished goods	614,873,140	25,939,171	332,931,118	307,881,193
Sub-total	648,862,072	99,287,478	362,701,475	385,448,075
Less: Provision for impairment of inventories	1,841,318	–	182,326	1,658,992
Total	647,020,754	99,287,478	362,519,149	383,789,083

V. Notes to the consolidated financial statements (continued)

6 Inventories (continued)

(3) Provision for impairment of inventories

Item	Balance at the beginning of the period	Additions during the period	Written back during the period		Balance at the end of the period
			Reversals	Written-off	
Finished goods	1,841,318	–	(18,047)	(164,279)	1,658,992

The Group recognized provision for impairment of inventories after determination of the net realisable value of its finished goods with reference to the current market price and the actual sales of its finished goods.

The estimated selling price used to determine the net realisable value of inventories varies depending on whether a sales contract has been concluded. Where a contract has been concluded, the estimated selling price of inventories is recognised based on the contract amount, otherwise, it is determined based on the average contract price of recently concluded contracts.

7 Other current assets

Item	**30 June 2020**	31 December 2019
Input VAT recoverable	**9,984,830**	20,339,680
Prepaid enterprise income tax	**3,251**	3,251
Reimbursed individual income tax	**228,417**	–
Total	**10,216,498**	20,342,931

V. Notes to the consolidated financial statements (continued)

8 Fixed assets

(1) Fixed assets

Item	Plant &buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Total
Cost					
At 1 January 2020	526,980,070	866,032,565	24,104,076	11,430,867	1,428,547,578
Additions during the period					
– Purchases	1,047,815	665,128	296,556	7,177	2,016,676
– Transfers from construction in progress	682,713	2,236,183	–	–	2,918,896
– Adjustment of class of assets	–	(18,804)	18,804	–	–
Reductions during the period					
– Disposals or written-offs	–	(2,174,261)	(104,209)	(2,900)	(2,281,370)
– Offset government grants against the book value	–	(330,000)	–	–	(330,000)
At 30 June 2020	528,710,598	866,410,811	24,315,227	11,435,144	1,430,871,780
Accumulated depreciation					
At 1 January 2020	(149,237,401)	(533,139,098)	(18,905,958)	(7,311,192)	(708,593,649)
Charge for the period	(5,263,392)	(14,265,447)	(369,964)	(331,634)	(20,230,437)
Adjustment of class of assets	–	16,922	(16,922)	–	–
Reductions during the period					
– Disposals or written-offs	–	1,368,729	92,196	2,610	1,463,535
At 30 June 2020	(154,500,793)	(546,018,894)	(19,200,648)	(7,640,216)	(727,360,551)
Provision for impairment					
At 1 January 2020	(16,731,276)	(15,687,811)	–	–	(32,419,087)
Reductions during period	–	638,670	–	–	638,670
At 30 June 2020	(16,731,276)	(15,049,141)	–	–	(31,780,417)
Carrying amounts					
At 30 June 2020	357,478,529	305,342,776	5,114,579	3,794,928	671,730,812
At 1 January 2020	361,011,393	317,205,656	5,198,118	4,119,675	687,534,842

As at 30 June 2020 and 31 December 2019, there are no fixed assets with restrictions placed on the Group's ownership.

As at 30 June 2020 and 31 December 2019, the carrying amount of the Group's fixed assets includes the property and land ownership which were purchased in USA.

In December 2019, Longkou Andre disposed of its buildings and other facilities due to the land resumption. The original value of these fixed assets and the related accumulated depreciation amounted to RMB55,350,974 and RMB24,470,153 respectively. See note V5(1)(a) for details.

V. Notes to the consolidated financial statements (continued)

8 Fixed assets (continued)

(2) Temporarily idle fixed assets

As at 30 June 2020 and 31 December 2019, the Group's temporarily idle fixed assets are as follows:

30 June 2020

Item	**Cost**	**Accumulated depreciation**	**Provision for impairment**	**Carrying amount**
Preserved fruit production line	**1,249,834**	**(644,064)**	**(480,787)**	**124,983**
Total	**1,249,834**	**(644,064)**	**(480,787)**	**124,983**

31 December 2019

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Preserved fruit production line	1,249,834	(644,064)	(480,787)	124,983
Total	1,249,834	(644,064)	(480,787)	124,983

At 30 June 2020 and 31 December 2019, the Group assessed that the lemon production machinery, equipment and plant of Anyue Andre Lemon Industry Technology Co., Ltd. ("**Anyue Andre**") exists indications of impairment. For the asset groups with identified indications of impairment, the management compares the carrying amount of each asset group with its recoverable amount to determine the amount of the impairment. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its present value of expected future cash flows. At 31 December 2018 and 31 December 2017, for the reason that the Group can not reliably estimate the present value of expected future cash flow of relevant asset group, the Group determines the recoverable amount of the asset group in accordance with its fair value less costs to sell. The production of Anyue Andre recovered since December 2019. At 30 June 2020 and 31 December 2019, the Group determines the recoverable amount of the asset group in accordance with its present value of expected future cash flows.

At the end of 30 June 2020 and 31 December 2019, The Group evaluates the recoverable amount of the asset group and reduces the carrying amount to its recoverable amount. No impairment loss of asset is required in the six-month ended 30 June 2020 and 2019. At the end of 30 June 2020 and 31 December 2019, the recoverable amount is determined by its present value of expected future cash flows.

(3) Fixed assets acquired under finance leases

As at 30 June 2020 and 31 December 2019, no fixed assets were acquired under finance leases.

V. Notes to the consolidated financial statements (continued)

8 Fixed assets (continued)

(4) Fixed assets leased out under operating leases

As at 30 June 2020, the carrying value of the fixed assets leased out by the Group under operating leases was RMB20,333,086 (2019: RMB20,656,850), which include two office buildings, several commercial stores and an apartment building located in Muping Economic Development Zone, Yantai. Details are as follows:

Item	**Plant &buildings**
Cost	
At 1 January 2020	28,702,486
At 30 June 2020	28,702,486
Accumulated depreciation	
At 1 January 2020	(8,045,636)
Charge for the period	(323,764)
At 30 June 2020	(8,369,400)
Carrying amounts	
At 30 June 2020	20,333,086
At 1 January 2020	20,656,850

(5) Fixed assets pending certificates of ownership

As at 30 June 2020 and 31 December 2019, the Group's fixed assets with pending certificates of ownership are as follows:

Item	**30 June 2020 Carrying amount**	31 December 2019 Carrying amount	**Reason why certificates of ownership are pending**
Buildings of Liquan Yitong Juice Co., Ltd.	–	48,795,455	The certificates have not been dealt with due to historical reasons

Note: The certificates of Buildings of Liquan Yitong Juice Co., Ltd. have been dealt with on 20 January 2020.

V. Notes to the consolidated financial statements (continued)

9 Construction in progress

(1) Construction in progress

Project	30 June 2020 Book value	30 June 2020 Provison for impairment	30 June 2020 Carrying amount	31 December 2019 Book value	31 December 2019 Provison for impairment	31 December 2019 Carrying amount
New plant construction project of Longkou	**23,795,921**	**–**	**23,795,921**	1,285,314	–	1,285,314
Production line supporting project of Liquan	**–**	**–**	**–**	792,146	–	792,146
Pollution prevention special project of Longkou	**10,957,230**	**–**	**10,957,230**	–	–	–
Roof waterproof project of Yantai	**574,307**	**–**	**574,307**	–	–	–
Others	**601,894**	**–**	**601,894**	364,862	–	364,862
Total	**35,929,352**	**–**	**35,929,352**	2,442,322	–	2,442,322

As at 30 June 2020 and 31 December 2019, no interest was capitalized in construction in progress of the Group.

(2) Movements of major construction projects in progress

Project	Budget	At 1 January 2020	Additions during the period	Transfers to fixed assets	At 30 June 2020	Percentage of actual cost to budget (%)	Project process	Sources of funds
Roof waterproof project of Yantai	574,307	–	574,307	–	574,307	100%	100%	Self-funded
IC tank project of Xuzhou	2,310,000	–	412,844	–	412,844	18%	18%	Self-funded
New plant construction foundation project of Longkou	32,810,229	1,285,314	22,510,607	–	23,795,921	73%	73%	Self-funded
Pollution prevention special project of Longkou	12,174,700	–	10,957,230	–	10,957,230	90%	90%	Self-funded
Juice greenhouse project of Yongji	538,553	–	120,223	–	120,223	22%	22%	Self-funded
Total	48,407,789	1,285,314	34,575,211	–	35,860,525			

V. Notes to the consolidated financial statements (continued)

10 Intangible assets

Item	Land use right
Cost	
At 1 January 2020 and 30 June 2020	120,343,070
Accumulated amortization	
At 1 January 2020	(27,609,676)
Charge for the period	(1,267,135)
At 30 June 2020	(28,876,811)
Carrying amounts	
At 30 June 2020	91,466,259
At 31 December 2019	92,733,394

As at 30 June 2020 and 31 December 2019, all of the Group's land use rights are on medium-term lease.

As at 30 June 2020 and 31 December 2019, no interest was capitalized in intangible assets, no intangible assets were used as mortgage for bank loans, and no land use rights were pending certificates of ownership of the Group.

11 Goodwill

(1) Changes in goodwill

Name of investee	Note	Balance at 1 January 2020	Additions during the period	Balance at 30 June 2020
Book value				
Anyue Andre Lemon Industry Technology Co., Ltd.	(a)	3,066,599	–	3,066,599
Yongji Andre Juice Co., Ltd.	(b)	4,566,293	–	4,566,293
Yantai Longkou Andre Juice Co., Ltd.	(c)	1,020,683	–	1,020,683
Sub-total		8,653,575	–	8,653,575
Provision for impairment				
Anyue Andre Lemon Industry Technology Co., Ltd.		(3,066,599)	–	(3,066,599)
Sub-total		(3,066,599)	–	(3,066,599)
Carrying amount		5,586,976	–	5,586,976

V. Notes to the consolidated financial statements (continued)

11 Goodwill (continued)

(1) Changes in goodwill (continued)

(a) The Group acquired the equity interest of Anyue Andre Lemon Industry Technology Co., Ltd. at an aggregated cash consideration of RMB52,120,000 in 2014. The goodwill represents the excess of the cost of the acquisition over the Group's interests in the fair value of the identifiable assets and liabilities of Anyue Andre Lemon Industry Technology Co., Ltd..

(b) The Group acquired the equity interest of Yongji Andre Juice Co., Ltd. at an aggregated cash consideration of RMB56,201,585 in 2011. The goodwill represents the excess of the cost of the acquisition over the Group's interests in the fair value of the identifiable assets and liabilities of Yongji Andre Juice Co., Ltd..

(c) The Group acquired the equity interest of Yantai Longkou Andre Juice Co., Ltd. at an aggregated cash consideration of RMB32,035,810 in 2003. The goodwill represents the excess of the cost of the acquisition over the Group's interests in the fair value of the identifiable assets and liabilities of Yantai Longkou Andre Juice Co., Ltd..

(2) Provision for impairment of goodwill

The Group's asset groups which the goodwill recognised are Anyue Andre Lemon Industry Technology Co., Ltd., Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd..

The recoverable amounts of Anyue Andre Lemon Industry Technology Co., Ltd., Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. are determined based on the present value of expected future cash flows. The present value of expected future cash flows was projected based on the next five-year financial forecast approved by management and a pre-tax discount rate. The cash flows beyond the five-year forecast period were assumed to be stable. However, as key assumptions on which management has made in respect of future cash projections are subject to change, an adverse change in the assumptions could cause the carrying amount to exceed its recoverable amount.

Key assumptions used in estimating the present value of expected future cash flows of Anyue Andre Lemon Industry Technology Co., Ltd., Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. include the budgeted gross margin based on past performance and expectations on market development, and stable sales volume, which were determined by management based on past performance.

V. Notes to the consolidated financial statements (continued)

12 Deferred tax assets

(1) Details of unrecognised deferred tax assets

Item	30 June 2020	31 December 2019
Deductible temporary differences	**46,509,142**	42,715,529
Deductible tax losses	**18,014,527**	18,249,127
Total	**64,523,669**	60,964,656

(2) In accordance with the accounting policy of the Group, the Group has not recognised deferred tax assets in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available to the Group. The domestic and overseas deductible tax losses can be deducted from future taxable income within 5 years and 20 years from the year when such losses were incurred under current tax laws respectively.

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	30 June 2020	31 December 2019
2020	**11,844**	11,844
2021	**–**	–
2022	**16,950,585**	16,950,585
2023	**550,738**	941,062
2024	**345,636**	345,636
2025	**155,724**	–
Total	**18,014,527**	18,249,127

13 Assets with restricted ownership or right of use

As at 30 June 2020 and 31 December 2019, there are no assets with restrictions placed on the Group's ownership.

V. Notes to the consolidated financial statements (continued)

14 Accounts payable

(1) Accounts payable by supplier type are as follows:

Supplier type	30 June 2020	31 December 2019
Third parties	**41,384,817**	50,285,640
Related parties	**25,902**	47,659
Total	**41,410,719**	50,333,299

(2) The ageing analysis of accounts payable, based on the date of receipt of goods, is as follows:

Ageing	30 June 2020	31 December 2019
Within 1 year (inclusive)	**38,737,367**	47,932,221
Over 1 year	**2,673,352**	2,401,078
Total	**41,410,719**	50,333,299

15 Contract liabilities

The contract liabilities mainly represent advance payments received from the customers according to sales contracts with the amounts equivalent to 20% to 100% of the considerations. The contract liabilities are recognized as revenue after the Group satisfies its performance obligations to the customers.

V. Notes to the consolidated financial statements (continued)

16 Employee benefits payable

(1) Details of employee benefits payable:

	At 1 January 2020	Accrued during the period	Decreased during the period	At 30 June 2020
Short-term employee benefits	15,698,188	21,002,477	22,876,560	13,824,105
Post-employment benefits – defined contribution plans	–	382,134	382,134	–
Total	15,698,188	21,384,611	23,258,694	13,824,105

(2) Short-term employee benefits

	At 1 January 2020	Accrued during the period	Decreased during the period	At 30 June 2020
Salaries, bonuses, allowances and subsidies	5,828,052	19,590,554	20,934,608	4,483,998
Staff bonus and welfare fund	9,855,557	–	520,135	9,335,422
Social insurance				
Medical insurance	–	709,352	709,352	–
Work-related injury insurance	–	24,712	24,712	–
Maternity insurance	–	137,292	137,292	–
Housing fund	–	426,779	426,779	–
Labour union fee and staffs' education fee	14,579	113,788	123,682	4,685
Total	15,698,188	21,002,477	22,876,560	13,824,105

V. Notes to the consolidated financial statements (continued)

16 Employee benefits payable (continued)

(3) Post-employment benefits – defined contribution plans

	At 1 January 2020	Accrued during the period	Decreased during the period	At 30 June 2020
Basic pension insurance	–	366,117	366,117	–
Unemployment insurance	–	16,017	16,017	–
Total	–	382,134	382,134	–

As at 30 June 2020 and 31 December 2019, the Group did not have payment in arrears in the balance of employee benefits payable.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal governments for its staff. The Group is required to make contributions to the retirement plans at certain percentage or certain amount of the salaries, bonuses and certain allowances of its staff of last year. The relevant local government authorities are responsible for the entire pension obligations payables to retired employees. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

17 Taxes payable

Item	30 June 2020	31 December 2019
Value-added tax	**6,872,929**	640,169
Land use tax	**679,024**	816,673
Property tax	**636,811**	696,918
Enterprise income tax	**2,122,307**	169,603
Others	**655,371**	344,080
Total	**10,966,442**	2,667,443

18 Other payables

Item	30 June 2020	31 December 2019
Payables on equipments and project payment	**27,509,754**	10,558,845
Others	**3,820,459**	6,248,292
Total	**31,330,213**	16,807,137

V. Notes to the consolidated financial statements (continued)

19 Deferred income

For the six-month period ended 30 June

Item	At 1 January 2020	Accrued during the period	Decreased during the period	At 30 June 2020	Explaination
Government grants (note)	**39,000,000**	**6,000,000**	**–**	**45,000,000**	**New plant construction and environment protection subsidies**

2019

Item	At 1 January 2019	Accrued during the period	Decreased during the period	At 30 June 2019	Explaination
Government grants (note)	–	39,000,000	–	39,000,000	New plant construction and environment protection subsidies

Note: During December 2019, Longkou Andre recognized compensation of RMB39,000,000 for the construction of new plants and other production facilities due to land resumption, please see Note V, 5(1)(a) for details. For the period ended 30 June 2020, Longkou Andre obtained an environmental protection subsidy of RMB6,000,000 for the upgrading of sewage treatment facilities and ultra-low emission system of boiler.

20 Share capital

	Balance at the beginning of the period	Changes during the period: Issue of new shares	Share consolidation	Purchase of own shares	Sub-total	Balance at the end of the period
30 June 2020						
Total number of shares	358,000,000	–	–	–	–	358,000,000
Amount (RMB)	358,000,000	–	–	–	–	358,000,000

21 Capital reserve

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Share premium	17,281,789	–	–	17,281,789
Foreign currency translation difference	9,926	–	–	9,926
Total	17,291,715	–	–	17,291,715

V. Notes to the consolidated financial statements (continued)

22 Surplus reserve

Item	Balance at the beginning of the period	Additions during the period	Balance at the end of the period
Statutory surplus reserve	128,215,585	–	128,215,585

23 Retained earnings

Item	Note	Amount
At 1 January 2020		1,408,965,257
Add: Net profits for the period attributable to shareholders of the Company		86,490,642
Less: Dividends payable to ordinary shares	(1)	–
At 30 June 2020		1,495,455,899

As at 30 June 2020, the distributable reserve of the Company amounted to RMB479,180,026 (2019: RMB458,836,300).

(1) Distribution of dividends of ordinary shares declared during the year

Pursuant to the resolution passed at the annual general meeting on 26 June 2019, a dividend payable to ordinary shareholders of the Company of RMB0.1 per share, totalling RMB35,800,000, was approved.

The Board does not recommend interim dividends for the six months ended 30 June 2020.

24 Operating income and operating costs

Item	**For the six-month period ended 30 June 2020**		For the six-month period ended 30 June 2019	
	Income	**Cost**	Income	Cost
Principal businesses	**467,091,187**	**331,729,086**	373,980,284	260,867,453
Other businesses	**3,030,119**	**1,161,543**	2,888,546	1,400,800
Total	**470,121,306**	**332,890,629**	376,868,830	262,268,253

Operating income generated from principal businesses represents primarily the sales of condensed juice and related products of the Group. Operating income generated from other businesses represents primarily the sales of raw materials, rental income and others.

For information about the Group's operating income broken down by the location of clients, refer to Note IX.

V. Notes to the consolidated financial statements (continued)

25 Taxes and surcharges

Item	For the six-month period ended 30 June 2020	2019
Urban maintenance and construction tax	**1,193,388**	776,469
Education surcharges	**1,074,133**	762,751
Property tax	**1,239,759**	1,677,895
Land use tax	**1,248,868**	1,671,115
Others	**360,464**	293,562
Total	**5,116,612**	5,181,792

26 Financial expenses

Item	For the six-month period ended 30 June 2020	2019
Interest expenses arising from borrowings	**18,517**	24,607
Government grants-interest discounts	**–**	(1,050,000)
Interest income from deposits	**(2,609,128)**	(3,143,254)
Net exchange (gains)/losses	**(4,004,505)**	1,691,528
Other financial expenses	**162,004**	139,237
Total	**(6,433,112)**	(2,337,882)

For the six-month ended 30 June 2019, Yantai Muping Finance Bureau and Forestry Bureau appropriated interest subsidy of RMB1,050,000 to the Group, which offsetted against financial expenses.

V. **Notes to the consolidated financial statements (continued)**

27 Government grants

(1) Government grants related to assets

The government grants related to assets of the Group are as follows:

(a) Effect on assets

	For the six-month period ended 30 June	
Item	**2020**	2019
Offset against book value of fixed assets		
Subsidy for purchasing research and development equipment	**–**	800,000
Grant for production line modification	**330,000**	2,929,200
Total	**330,000**	3,729,200

(b) Effect on deferred income

For the six-month period ended 30 June 2020

Item	**Balance at the beginning of the year**	**Additions**	**Offset against book value of assets**	**Others**	**Balance at the end of the year**
Grant for production line modification	**39,000,000**	**6,000,000**	**–**	**–**	**45,000,000**

2019

Item	Balance at the beginning of the year	Additions	Offset against book value of assets	Others	Balance at the end of the year
Grant for production line modification	–	39,000,000	–	–	39,000,000

V. Notes to the consolidated financial statements (continued)

27 Government grants (continued)

(2) Government grant related to income

The government grants related to income of the Group are as follows:

Item	For the six-month period ended 30 June **2020**	 2019
Lemon purchase subsidies	**500,000**	–
Capital market development guidance funds	**292,000**	–
Stabilization subsidies	**140,041**	–
Foreign trade subsidies	**30,000**	193,000
Tax reward	**–**	20,000
Others	**40,740**	103,000
Total	**1,002,781**	316,000

For the six-month period ended 30 June 2020, the Group received grants totaling RMB1,002,781 from various government authorities, which is directly included in other income.

For the six-month period ended 30 June 2019, the Group received grants totaling RMB316,000 from various government authorities, which is directly included in other income. The Group used the interest subsidy to offset against financial expenses. For the information of interest subsidy, refer to Note V.26.

28 Investment income

Investment income by item

Item	For the six-month period ended 30 June **2020**	 2019
Investment income from disposal of financial assets held for trading	**5,662,070**	2,478,961
Investment income from disposal of debt investments	**–**	994,096
Total	**5,662,070**	3,473,057

V. Notes to the consolidated financial statements (continued)

29 Credit losses

Item	For the six-month period ended 30 June 2020	2019
Accounts receivable	**3,811,660**	(3,093,458)

30 Impairment losses

Item	For the six-month period ended 30 June 2020	2019
Inventories	**(18,047)**	(103,838)

31 Non-operating expenses

Item	For the six-month period ended 30 June 2020	2019
Donations	**1,100,000**	–
Others	**53,821**	27,955
Total	**1,153,821**	27,955

32 Income tax expenses

Item	For the six-month period ended 30 June 2020	2019
Current tax expenses for the period estimated in accordance with tax law and regulations	**1,967,695**	–
Tax filing difference	**171,881**	63,229
Total	**2,139,576**	63,229

V. Notes to the consolidated financial statements (continued)

32 Income tax expenses (continued)

Reconciliation between income tax expenses and accounting profit is as follows:

	For the six-month period ended 30 June	
Item	**2020**	2019
Profit before taxation	**88,630,218**	79,748,750
Expected income tax expenses at tax rate of 25%	**22,157,555**	19,937,188
Effect of non-taxable income	**(19,857,203)**	(15,795,729)
Effect of different tax rates applied by certain subsidiaries	**304,069**	204,371
Effect of unrecognised deferred tax asset for deductible loss of this period	**38,931**	6,271
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	**(1,645,003)**	(3,263,945)
Tax filling differences	**171,881**	63,229
Effect of non-deductible costs, expenses and losses	**20,943**	16,526
Tax effect of the temporary differences that were not recognized as deferred tax	**948,403**	(1,104,682)
Income tax expenses	**2,139,576**	63,229

33 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	For the six-month period ended 30 June	
	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	**86,490,642**	79,685,521
Weighted average number of ordinary shares outstanding	**358,000,000**	358,000,000
Basic earnings per share (RMB/share)	**0.242**	0.223
Diluted earnings per share (RMB/share)	**0.242**	0.223

The Group had no dilutive potential ordinary shares during the reporting period.

V. Notes to the consolidated financial statements (continued)

33 Basic earnings per share and diluted earnings per share (continued)

(2) Weighted average number of ordinary shares is calculated as follows:

	For the six-month period ended 30 June	
	2020	2019
Issued ordinary shares at the beginning of the period	**358,000,000**	358,000,000
Effect of repurchase of own shares	**–**	–
Weighted average number of ordinary shares at the end of the period	**358,000,000**	358,000,000

34 Supplement to income statement

Expenses are analysed by their nature:

	For the six-month period ended 30 June	
Item	**2020**	2019
Operating income	**470,121,306**	376,868,830
Less: Changes in inventories of finished goods and work in progress	**274,935,632**	237,554,049
Raw materials and packaging materials used	**29,770,357**	8,797,826
Employee benefits expenses	**21,384,611**	20,658,316
Depreciation and amortisation expenses	**21,497,572**	22,900,657
Financial expenses	**(6,433,112)**	(2,337,882)
Other expenses	**42,052,531**	16,501,725
Add: Other income	**1,002,781**	316,000
Investment income	**5,662,070**	3,473,057
Credit impairment loss	**(3,811,660)**	3,093,458
Impairment losses	**18,047**	103,838
(Losses)/gains from asset disposal	**(1,349)**	(4,102)
Operating profit	**89,783,604**	79,776,390

V. Notes to the consolidated financial statements (continued)

35 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

a. Reconciliation of net profit to cash flows from operating activities:

Item	For the six-month period ended 30 June **2020**	 2019
Net profit	**86,490,642**	79,685,521
Add: Depreciation of fixed assets	**20,230,437**	21,523,889
Amortisation of intangible assets	**1,267,135**	1,376,768
Credit impairment loss	**3,811,660**	(3,093,458)
Provisions for impairment of assets	**(18,047)**	(103,838)
Losses from disposal of fixed assets	**1,349**	4,102
Losses from scrapping of fixed assets	**33,821**	16,754
Financial expenses	**(3,242,755)**	(4,439,786)
Investment income	**(5,662,070)**	(3,473,057)
Decrease in gross inventories	**263,249,718**	226,758,437
Decrease in operating receivables	**103,717,360**	44,371,464
Increase/(decrease) in operating payables	**1,153,771**	(22,153,698)
Net cash inflow from operating activities	**471,033,021**	340,473,098

b. Change in cash and cash equivalents:

Item	For the six-month period ended 30 June **2020**	 2019
Cash and cash equivalents at the end of the period	**731,473,515**	649,481,768
Less: Cash and cash equivalents at the beginning of the period	**274,050,303**	378,686,607
Net increase in cash and cash equivalents	**457,423,212**	270,795,161

V. Notes to the consolidated financial statements (continued)

35 Supplementary information on cash flow statement (continued)

(2) Details of cash and cash equivalents

Item	For the six-month period ended 30 June 2020	2019
Cash at bank and on hand	**731,473,515**	649,481,768
Including: Cash on hand	**45,788**	54,914
Bank deposits available on demand	**731,427,727**	649,426,854
Closing balance of cash and cash equivalents	**731,473,515**	649,481,768

36 Lease

As a lessor

Operating lease

Item	For the six-month period ended 30 June 2020	2019
Lease income	**1,405,145**	1,223,282
Including: Income related to the variable lease payments not included in the measurement of lease payments	**–**	–

For the six-month period ended 30 June 2020, part of the plants and buildings were leased out by the Group for the period from 1 to 3 years. The Group classified the lease as an operating lease, because the lease did not substantially transfer all the risks and rewards incidental to ownership of the assets.

The undiscounted lease payments received by the Group after the balance sheet date are as follows:

Item	30 June 2020	31 December 2019
Within 1 year (inclusive)	**1,144,116**	1,144,116
Over 1 year but within 2 years (inclusive)	**1,012,116**	1,012,116
Over 2 years but within 3 years (inclusive)	**608,916**	608,916
Total	**2,765,148**	2,765,148

VI. Interests in other entities

Interests in subsidiaries

(1) Subsidiaries acquired through establishment or investment

Full name	Type	Place of registration and operation	Business nature	Registered-capital	Business scope	Year-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Group share-holding percentage (%)	Group voting rights percentage (%)	Consolidated (Y/N)	Organisation code
Baishui Andre Juice Co., Ltd.	Company Limited (Sino-foreign joint venture)	Shaanxi, PRC	Manufacture and sale of condensed juice	USD17,125,000	Manufacture of juice, fruit and vegetable beverage, and related products, and iron packaging; and sale of own products	USD17,125,000	–	100%	100%	Y	73266447-8
Yantai Longkou Andre Juice Co., Ltd.	Company Limited (Sino-foreign joint venture)	Shandong, PRC	Manufacture and sale of condensed juice	USD20,800,000	Manufacture of juice and sale of own products	USD20,800,000	–	100%	100%	Y	73722971-5
Xuzhou Andre Juice Co., Ltd.	Company Limited (Sino-foreign joint venture)	Jiangsu, PRC	Manufacture and sale of condensed juice	USD10,000,000	Manufacture of juice, fruit and vegetable beverage, and related products; sale of own products; and manufacture of iron barrel for juice outer packaging	USD10,000,000	–	100%	100%	Y	74313425-3
Andre Juice Co., Ltd.	Company Limited	British Virgin Islands	Investment holding	USD50,000	Investment holding	USD1	–	100%	100%	Y	–
North Andre Juice (USA) Inc.	Company Limited	The United States of America	Sale of condensed juice	USD1,900,000	Sale of condensed juice	USD1,900,000	–	100%	100%	Y	–
Dalian Andre Juice Co., Ltd.	Company Limited	Liaoning, PRC	Manufacture and sale of condensed juice	RMB80,000,000	Manufacture and sale of all kinds of fruit and vegetable beverage; biological comprehensive utilization of apple essence, vegetable and pomace; and purchase of agricultural and sideline products (excluding grain); and manufacture of iron packaging; imports and exports of goods and technology	RMB80,000,000	–	100%	100%	Y	95994248-7
Yantai Andre Juice Co., Ltd.	Company Limited (Sino-foreign joint venture)	Shandong, PRC	Manufacture and sale of fruit pulp	USD4,832,000	Manufacture and processing of all kinds of fruit pulp and related products, and sale of own products; wholesale and import and export of juice and pulp	USD4,832,000	–	100%	100%	Y	73066788-6

VI. Interests in other entities (continued)

Interests in subsidiaries (continued)

(2) Subsidiaries acquired through business combinations not under common control

Full name	Type	Place of registration and operation	Business nature	Registered capital	Business scope	Year-end actual investment	Closing balance of other items that in substance form net investment in a subsidiary	Group share-holding percentage (%)	Group voting rights percentage (%)	Consolidated (Y/N)	Organisation code
Yongji Andre Juice Co., Ltd.	Company Limited (Sino-foreign joint venture)	Shanxi, PRC	Production and sale of condensed juice	USD12,960,000	Manufacture and sale of fruit and vegetable juice and beverage, high natural apple essence, and biological comprehensive utilization of pomace	USD12,960,000	–	100%	100%	Y	79638415-X
Anyue Andre Lemon Industry Technology Co., Ltd.	Company Limited	Sichuan, PRC	Production and sale of condensed juice	RMB50,000,000	Manufacture and sale of lemon juice, orange juice, lemon oil, orange oil, lemon essence, orange essence and pomace	RMB50,000,000	–	100%	100%	Y	56971595-9
Liquan Yitong Juice Co., Ltd.	Company Limited	Shaanxi, PRC	Production and sale of condensed juice	RMB100,000,000	Manufacture and sale of fruit and vegetable juice and beverage	RMB100,000,000	–	100%	100%	Y	58696275-9

VII. Related parties and related party transactions

1 Ultimate holding party of the Company

The ultimate holding party of the Company are Mr. Wang An and Ms. Wang Meng.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VI.

VII. Related parties and related party transactions (continued)

3 Information on other related parties

Name of other related parties	Related party relationship
Shandong Andre Group Co., Ltd.	An entity which has significant influence over the Group (i)
Uni-President Enterprises Corporation and its subsidiaries	An entity which has significant influence over the Group (i)
President Enterprises (China) Investment Co., Ltd.	An entity which has significant influence over the Group (i)
Guangzhou President Enterprises Co., Ltd.	A subsidiary of the President Enterprises (China) Investment Co., Ltd.
Chengdu President Enterprises Food Co., Ltd.	A subsidiary of the President Enterprises (China) Investment Co., Ltd.
Yantai Andre Yangma Resort Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Real Estate Development Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Property Management Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Pectin Co., Ltd.	Under significant influence of the same ultimate holding company
Yantai Hengtong Heat Co., Ltd.	Under control of the same ultimate holding company
Liquan Yitong Heat Co., Ltd.	Under control of the same ultimate holding company (ii)
Yantai Yitong Heat Co., Ltd.	Under control of the same ultimate holding company
Yantai Hengda Cement Co., Ltd.	Under control of the same ultimate holding company
Yantai Hengli Contrete LLC.	Under significant influence of the same ultimate holding company
Yantai Xinping Jian'an Co., Ltd.	Under control of a close family member of the Company's key management personnel
Yantai Xingan Investment Centre (Limited Partnership)	Under control of the Group's key management personnel
Donghua Fruit Industry Co., Ltd.	Under control of the same ultimate holding company
China Pingan Investment Holdings Limited	Under control of the same ultimate holding company
Yantai Andre Yinghai Garden Hotel Limited	Under control of the same ultimate holding company
Yantai Andre construction and Installation Engineering Company Limited	Under control of the same ultimate holding company
Kunlong Spring Resort Ltd.	Under control of the same ultimate holding company
Mitsui & Co., Ltd.	Own more than 5% of the shares of the Company (iii)
Mitsui Foods Inc.	Under the control of Mitsui & Co., Ltd. (iii)
Bussan Food Materials Co., Ltd.	Under the control of Mitsui & Co., Ltd. (iii)
Yantai Andre Biotechnology Co., Ltd.	Under the control of Yantai Andre Pectin Co., Ltd.

(i) Shandong Andre Group Co., Ltd., Uni-President Enterprises Corporation and President Enterprises (China) Investment Co., Ltd. exercised their significant influence over the Company through their representation on the board of directors of the Company.

(ii) Yantai Yitong Heat Co., Ltd. has disposed the 100% shares of Liquan Yitong Heat Co., Ltd. to Yantai Anlin Fruit Co., Ltd., on 1 April 2019.

(iii) Mitsui & Co., Ltd. owns more than 5% of the shares of the Company. Mitsui Foods Inc. and Bussan Food Materials Co., Ltd. are the subsidiaries of Mitsui & Co., Ltd. These entities are regarded as related parties in accordance with the Measures for the Administration of Information Disclosure of Listed Companies promulgated by the China Securities Regulatory Commission.

VII. Related parties and related party transactions (continued)

4 Transactions with related parties

For the six-month period ended 30 June 2020, the Group entered into transactions with related parties as set out as follows. Apart from the items disclosed in the Report of the Directors under the section "Connected Transactions", all the material related party transactions disclosed below did not constitute non-exempt connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(1) Related party transactions

	The Group For the six-month period ended 30 June		**The Company For the six-month period ended 30 June**	
	2020	2019	**2020**	2019
Sales of goods and service	**53,981,251**	69,659,405	**91,632,126**	34,700,269
Purchases of goods and service	**1,697,680**	1,203,637	**277,222,856**	120,089,181
Rental incomes	**478,470**	487,725	**276,870**	286,125
Storage incomes	**168,300**	168,300	**168,300**	168,300
Purchase of fixed assets	**–**	–	**–**	107,672
Sales of fixed assets	**–**	–	**2,188**	–
Fund collection	**–**	–	**138,097,958**	50,182,219

(2) Remuneration of key management personnel

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors and supervisors. Remuneration for key management personnel of the Group is as follows:

The Group

Item	**For the six-month period ended 30 June**	
	2020	2019
Remuneration of key management personnel	**1,523,332**	1,948,989

The Company

Item	**For the six-month period ended 30 June**	
	2020	2019
Remuneration of key management personnel	**907,699**	1,511,972

For the six-month period ended 30 June 2020 and 30 June 2019, no emoluments were paid to the directors or supervisors as an inducement to join or upon joining the Company or as compensation for loss of office. For the six-month period ended 30 June 2020 and 30 June 2019, no fees or any other emoluments were waived by directors or supervisors.

VII. Related parties and related party transactions (continued)

5 Receivables from and payables to related parties

	The Group		The Company	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
Accounts receivable	**15,654,235**	13,013,291	**64,535,368**	10,292,001
Other receivables-dividends receivable	**–**	–	**25,699,658**	25,699,658
Other receivables-others	**–**	–	**114,823,605**	252,921,563
Accounts payable	**25,902**	47,659	**2,803,707**	16,668,439
Other payables-others	**25,775**	–	**580,899,181**	291,347,559

6 Guarantee

(1) The Group as a guarantee

	For the six-month period ended 30 June			
	2020		2019	
Name of guarantor	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**–**	**N/A**	50,000,000	Y

(2) The Company as a guarantee

	For the six-month period ended 30 June			
	2020		2019	
Name of guarantor	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**–**	**N/A**	50,000,000	Y

VIII. Commitments and Contingencies

1 Significant commitments

(1) Capital commitments

Item	**30 June 2020**	31 December 2019
Signed contracts for acquisition of fixed assets being or to be executed	**15,127,480**	9,218,398

(2) Lease commitments

As at 30 June 2020 and 31 December 2019, the Group and the Company had no non-cancellable leases.

2 Contingent liabilities arising from outstanding litigations and arbitration and related financial impact

As at 30 June 2020 and 31 December 2019, the Group did not have contingent liabilities arising from outstanding litigations and arbitration.

3 Contingent liabilities arising from guarantees provided for other entities and related financial impact

As at 30 June 2020 and 31 December 2019, the Group did not provide guarantees in respect of the bank loans of other companies.

IX . Other significant items

Segment reporting

The Group is principally operating in a single reportable segment, which is engaged in manufacture and sales of condensed fruit juice and related products, and provision of juice processing services, therefore the Group has not disclose any further information with respect to reportable segment.

The geographical location of the Group's operating income from external customers is set out as follows:

	For the six-month period ended 30 June	
Geographical location	**2020**	2019
China	**127,099,463**	127,086,510
North America	**135,790,352**	45,775,100
Asia (excluding China)	**103,776,598**	134,175,050
Europe	**37,493,634**	30,877,390
Oceania	**38,387,246**	29,922,551
Africa	**27,080,902**	9,032,229
South America	**493,111**	–
Total	**470,121,306**	376,868,830

As at 30 June 2020, the carrying amount of non-current assets located overseas is RMB12,689,159 (31 December 2019: RMB12,652,430).

For the six-month period ended 30 June 2020 and 30 June 2019, the Group has none customer (For the six-month ended 30 June 2019: 2 customer), the operating income from which is over 10% of the Group's total operating income. The income amount of this customer is set out as follows:

	For the six-month period ended 30 June 2020		For the six-month period ended 30 June 2019	
Customers	**Geographical location**	**Amount**	Geographical location	Amount
Customer 1	**Asia (excluding China)**	**Less than 10% of the group's revenue**	Asia (excluding China)	43,730,141
Customer 2	**Asia (excluding China)**	**Less than 10% of the group's revenue**	Asia (excluding China)	42,173,579

X. Notes to major items in the parent company's financial statements

1 Bills receivable

Item	30 June 2020	31 December 2019
Bank acceptance bills	**1,600,000**	1,875,118

All of the above bills receivable were due within one year, and were not pledged.

As at 30 June 2020, the Company don't have undue bills receivable that had been endorsed and derecognized (31 December 2019: RMB309,296, the remaining maturities of the derecognized bills range from 1 to 5 months).

According to the Bill Law of the People's Republic of China, if the acceptance banks of bills receivable that are discounted or endorsed by the Company refuse to pay the bills, the bills' holders have recourse to the Company. The Board of Directors believe that the Company had substantially transferred almost all the risks and rewards of those bills which have been endorsed and derecognized. Therefore, the Company derecognized these bills in full.

2 Accounts receivable

(1) Accounts receivable by customer type are as follows:

Customer type	30 June 2020	31 December 2019
Subsidaries	**61,580,483**	9,425,152
Other related parties	**2,954,885**	866,849
Third parties	**97,407,389**	133,809,356
Sub-total	**161,942,757**	144,101,357
Less: Provision for bad and doubtful debts	**7,007,269**	4,483,096
Total	**154,935,488**	139,618,261

(2) The ageing analysis of accounts receivable is as follows:

Ageing	30 June 2020	31 December 2019
Within 6 months (inclusive)	**155,379,087**	142,637,294
After 6 months but within 1 year (inclusive)	**6,561,057**	1,461,450
After 1 year but within 2 years (inclusive)	**2,613**	2,613
Sub-total	**161,942,757**	144,101,357
Less: Provision for bad and doubtful debts	**7,007,269**	4,483,096
Total	**154,935,488**	139,618,261

The ageing is counted starting from the date when accounts receivable are recognised.

X. Notes to major items in the parent company's financial statements (continued)

2 Accounts receivable (continued)

(3) Movement in the provision for bad and doubtful debts:

	30 June 2020	31 December 2019
Balance at the beginning of the period/ Adjusted balance at the beginning of the year	**4,483,096**	8,028,504
Reversals during the period/year	**–**	(3,545,408)
Additions during the period/year	**2,524,173**	–
Balance at the end of the period/year	**7,007,269**	4,483,096

3 Other receivables

Item	Note	**30 June 2020**	31 December 2019
Dividends receivable		**25,699,658**	25,699,658
Others	(1)	**115,010,605**	253,081,083
Total		**140,710,263**	278,780,741

(1) Others

(a) Other receivables analysis by type are as follows:

Type	**30 June 2020**	31 December 2019
Subsidiaries	**114,823,605**	252,921,563
Third parties	**187,000**	159,520
Sub-total	**115,010,605**	253,081,083
Less: Provision for bad and doubtful debts	**–**	–
Total	**115,010,605**	253,081,083

X. Notes to major items in the parent company's financial statements (continued)

3 Other receivables (continued)

(1) Others (continued)

(b) The ageing analysis of other receivables is as follows:

Ageing	30 June 2020	31 December 2019
Within 1 year (inclusive)	**48,211,895**	186,282,373
Over 3 years	**66,798,710**	66,798,710
Sub-total	**115,010,605**	253,081,083
Less: Provision for bad and doubtful debts	**–**	–
Total	**115,010,605**	253,081,083

The ageing is counted starting from the date when other receivables are recognised.

4 Long-term equity investments

(1) Long-term equity investments by category are as follows:

Item	30 June 2020	31 December 2019
Investments in subsidiaries	**465,462,159**	465,462,159
Less: Provision for impairment	**35,667,335**	35,667,335
Total	**429,794,824**	429,794,824

As at 30 June 2020 and 31 December 2019, the Company's the long-term equity investment in Anyue Andre Lemon Industry Technology Co., Ltd. recognised impairment provisions were RMB35,667,335.

X. Notes to major items in the parent company's financial statements (continued)

4 Long-term equity investments (continued)

(2) Movements of long-term equity investments for the period are as follows:

Investee	Book value of long-term equity investment								
	Investment cost	At 1 January	Increase/ Decrease	At 30 June	Provision for impairment	Balance of provision for impairment at the end of the period	Shareholding percentage (%)	Voting rights percentage (%)	Cash dividend for the period
Cost method-subsidiaries									
Baishui Andre Juice Co., Ltd.	110,630,130	110,630,130	–	110,630,130	–	–	74.44%	74.44%	–
Yantai Longkou Andre Juice Co., Ltd.	80,622,696	80,622,696	–	80,622,696	–	–	43.59%	43.59%	7,904,651
Xuzhou Andre Juice Co., Ltd.	58,645,418	58,645,418	–	58,645,418	–	–	75%	75%	–
Andre Juice Co., Ltd.	8	8	–	8	–	–	100%	100%	–
Dalian Andre Juice Co., Ltd.	56,000,000	56,000,000	–	56,000,000	–	–	70%	70%	–
Yantai Andre Juice Co., Ltd.	30,000,000	30,000,000	–	30,000,000	–	–	75%	75%	–
Yongji Andre Juice Co., Ltd.	77,443,907	77,443,907	–	77,443,907	–	–	75%	75%	–
Anyue Andre Lemon Industry Technology Co., Ltd.	52,120,000	52,120,000	–	52,120,000	–	(35,667,335)	100%	100%	–
Total	465,462,159	465,462,159	–	465,462,159	–	(35,667,335)			7,904,651

The detail of the Company's subsidiaries is set out in Note VI.

5 Operating income and operating costs

Item	**For the six-month period ended 30 June 2020**		For the six-month period ended 30 June 2019	
	Income	**Cost**	Income	Cost
Principal activities	**323,784,207**	**291,678,053**	212,693,287	178,684,301
Other businesses	**3,985,483**	**2,898,516**	5,190,062	4,140,807
Total	**327,769,690**	**294,576,569**	217,883,349	182,825,108

Operating income generated from principal businesses represents primarily the sales of condensed juice and related products. Operating income generated from other businesses represents primarily the sales of packaging materials, rental income and others.

X. Notes to major items in the parent company's financial statements (continued)

6 Investment income

Item	For the six-month period ended 30 June 2020	2019
Income from long-term equity investments accounted for using cost method	**7,904,651**	115,763,070
Investment income from disposal of financial assets held for trading	**5,345,039**	2,478,961
Investment income from disposal of debt investments	**–**	994,096
Total	**13,249,690**	119,236,127

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2020, the Group's turnover was approximately RMB470,121,000 as compared to approximately RMB376,869,000 for the corresponding period in 2019, representing an increase of approximately RMB93,252,000 or approximately 25%. 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, and provision of processing services. The increase in turnover was mainly attributable to the fade-out of the effect of imposition of tariffs for goods export to the northern America, and the resumption of growth in sales to the America.

For the six months ended 30 June 2020, the Group's gross profit was approximately RMB137,231,000 and the gross profit margin was approximately 29%. For the corresponding period in 2019, the gross profit was approximately RMB114,601,000 and gross profit margin was approximately 30%. During the pressing season in 2019, the apple supply in China was abundant, which caused the decrease in cost of raw materials. However, it also caused decrease in selling price of apple juice concentrate in the reporting period, and hence there was no material change in the gross profit margin of the Group.

For the six months ended 30 June 2020, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB86,491,000, as compared to approximately RMB79,686,000 for the corresponding period in 2019, representing an increase of approximately RMB6,805,000 or approximately 9%. Since the apple supply in China was abundant during the pressing season in 2019, the volume of apple juice concentrate available for sale in 2020 had increased. Also due to the fade-out of the effect of imposition of tariffs by America, sales to the America by the Company had almost resumed to the normal level in 2017 to 2018. Therefore, the net profit was higher than that in the corresponding period in 2019.

For the six months ended 30 June 2020, the Group incurred selling and distribution expenses of approximately RMB33,859,000, as compared to approximately RMB19,262,000 for the corresponding period in 2019, representing a significant increase of approximately RMB14,597,000 or 76%. The Group's selling and distribution expenses mainly included transport fees, export inspection fees and marketing expenses. The increase in the selling and distribution expenses was mainly attributable to the increase in transportation fee for goods export to the America caused by the resumption of sales to the America this year.

For the six months ended 30 June 2020, the Group incurred general and administrative expenses of approximately RMB16,912,000 as compared to approximately RMB18,818,000 for the corresponding period in 2019, representing a slight decrease of approximately RMB1,906,000.

For the six months ended 30 June 2020, the net financial income of the Group was approximately RMB6,433,000, as compared to the net financial income of approximately RMB2,338,000 for the corresponding period in 2019, representing an increase of approximately RMB4,095,000. Such change was mainly due to the increase in foreign exchange gain.

Business Review

Stabilizing Market Coverage

During the first half of 2020, by adapting to the market demand and leveraging its advanced production technology, superb product quality and comprehensive customer services, the Group maintained steady growth in markets development. With years of continuous efforts, the Group has expanded its sales network to major countries and regions in the world, including the US, Japan, Europe, Oceania, Africa, South American countries and Chinese domestic market. Also, the Company has devoted in the development of new products, small type products markets, as well as the expansion of customer base. The Group hopes to continue to extend its market presence and boost its market share.

Expanding Domestic Sales Market

The Group continued to maintain close and stable business cooperation relationships with certain renowned beverage processors and manufacturers in China and has developed new quality customers with broadened sales channels. The Group started sales activities with the objective to maintain and increase market share, understood the need of the market and customers in a timely manner, analyzed precisely and responded reasonably to every price quote, and processed the customer needs and market information instantly to get more customer orders.

Optimization of Customer Base

While expanding its market places and enlarging its market shares, the Group also leveraged the prime quality of its products to optimise its profile of customer base continuously. The Group also actively engaged new customers. Through exhibitions, customers' visits and other channels, the Group sought to increase its exposure to new customers and explore more chances for cooperation, maintain close relationship and communication with customers and provide best services to customers. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers of the world.

Actively Responding to the Unforeseeable Risk on Global Development Attributable to Coronavirus Disease

Coronavirus disease occurred after the manufacturing season of the Company and so there was no material impact on the production of the Company. However, the Company has been monitoring closely the impact on its business and has established contingency plans. These contingency plans include broadening the choices of logistics, discussing with customers on goods delivery timetable and assessing domestic customers' business condition.

Future Prospects

Enlarging market and diversifying products

Currently, the Group has a relatively stable market shares and customer base in the world's major consumer areas of apple juice concentrate, including the US, Europe, Oceania, African countries, and Japan. In addition to consolidating the existing market shares and customer base and resuming exports to US customers in the new year, the Company will be committed to developing multiple emerging markets with a view to making breakthroughs in this aspect.

With the satisfactory development of the Company at the present stage, the Company plans to expand its product range with apple juice concentrate as the foundation, while investing in new projects with the proceeds from the proposed issue of A share to increase the production of niche products, such as peach juice and strawberry juice, so as to enrich its product line, expand its production capacity and meet the demands of various customers.

Increasing Market Development Effort and Promoting Customer Confidence

Under the premise of maintaining the overseas sales volume, the Company will boost the domestic sales volume by integrating its available resources and optimizing the sales channels, in order to increase the share of the domestic sales. At the same time, the Company will combine its products, brand and services using the current sales channels, to provide quality services and satisfy the customers' needs. In connection with the niche product project, it will provide a wide range of products to become a one-stop product supplier. With its excellent product quality, premium services and large variety of products, it will further enhance the confidence of and deepen the cooperation with customers.

Expanding the Financing Channels to Promote Sustainable Development

The Company has proposed to raise funds to invest in projects aiming to diversify product lines through the initial public offering (A shares) and listing, so as to meet the diverse demands of customers and in order to promote the sustainable development of the Company.

EMPLOYMENT AND REMUNERATION POLICY

For the six months ended 30 June 2020, the Group's average number of employee was 761 and the total employee remuneration was approximately RMB21,385,000. The Group's employment and remuneration policies remained unchanged with those described in the prospectus of the Company dated 11 April 2003. 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 according to 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 of directors of the Company (the "**Board**") proposed not to distribute interim dividend for the six months ended 30 June 2020.

SIGNIFICANT INVESTMENT

No significant investment was made by the Group during the six months ended 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries had been made by the Company during the six months ended 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no specific plan for material investments or capital assets as at 30 June 2020.

PROPOSED ISSUE OF A SHARES

The proposal of the issue of A Shares was approved at the special general meeting and the class meetings of the Company held on 1 November 2017. Shareholders also approved to extend the validity period in connection with the special resolution in respect of the proposed issue of A Shares and related matters, and the authorization to the Board to deal with matters relating the proposed issue of A shares at the annual general meeting of the Company and the class meetings held on 26 June 2018, 26 June 2019 and 26 May 2020 respectively.

On 30 July 2020, the Issuance Appraisal Committee of the China Securities Regulatory Commission (the "**CSRC**") approved the Company's application for the A share offering. As at the date of this announcement, the Company had not yet received the written approval from the CSRC. For details, please refer to the announcement of the Company dated 30 July 2020.

CONTINGENT LIABILITIES

The directors of the Company (the "**Directors**") were not aware of any material contingent liabilities as at 30 June 2020.

CHARGE OF ASSETS

The Group has no assets charged as at 30 June 2020.

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 2020, the Group had no outstanding bank loans.

As at 30 June 2020, the Group had a net cash and cash equivalent position of approximately RMB731,474,000. The Group's gearing ratio as at 30 June 2020 was approximately 7% (30 June 2019: approximately 6%) which was calculated based on the Group's total liabilities of approximately RMB145,333,000 (30 June 2019: approximately RMB106,905,000) divided by total equity and liabilities of approximately RMB2,144,296,000 (30 June 2019: approximately RMB1,929,794,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

As at 30 June 2020 and 30 June 2019, the Group had no outstanding bank borrowing.

Approximately RMB690,918,000, RMB40,225,000 and RMB331,000 (30 June 2019: approximately RMB523,003,000, RMB125,854,000 and RMB625,000) of the Group's cash balances were denominated in RMB, HK dollars and US dollars respectively as at 30 June 2020.

For details of the Group's capital management policies and objectives, please refer to Note X of the "Notes to the financial statements".

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, 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 Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**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 Non-circulating Shares/H Shares	Approximate Percentage of Total Share Capital
Wang An (Note 1)	Non-listed Foreign Shares	46,351,961 (L)	Interest of controlled corporation (Note 2)	Personal	18.50% (L)	12.95% (L)
	Domestic Shares	54,658,540 (L)	Interest of controlled corporation (Note 2)	Personal	21.82% (L)	15.27% (L)
Wang Yanhui (Note 3)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.98% (L)	5.59% (L)
Zhang Hui (Note 5)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.98% (L)	5.59% (L)
Liu Tsung-Yi	H Shares	195,400 (L)	Beneficial owner	Personal	0.18% (L)	0.05% (L)

Notes:

The letter “L” denotes a long position.

(1) As at 30 June 2020, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 Non-listed Foreign Shares, representing 12.95% interest in the total issued share capital of the Company; (b) 90% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), which held 54,658,540 Domestic Shares, representing 15.27% interest in the total issued share capital of the Company.

(2) Mr. Wang An was deemed to be interested in these 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) As at 30 June 2020, Mr. Wang Yanhui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

(4) Mr. Wang Yanhui was deemed to be interested in these Domestic Shares through his interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）).

(5) As at 30 June 2020, Mr. Zhang Hui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

(6) Mr. Zhang Hui was deemed to be interested in these Domestic Shares through his interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）).

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

As at 30 June 2020, 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 in the shares of the Company

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/ H Shares	Approximate Percentage of Total Share Capital
China Pingan Investment Holdings Limited	Non-listed Foreign Shares	46,351,961 (L) (Note 1)	Beneficial owner	Corporate	18.50% (L)	12.95% (L)
Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司)	Domestic Shares	54,658,540 (L) (Note 2)	Beneficial owner	Corporate	21.82% (L)	15.27% (L)
Donghua Fruit Industry Co., Ltd.	Non-listed Foreign Shares	65,779,459 (L) (Note 3)	Beneficial owner	Corporate	26.26% (L)	18.37% (L)
Uni-President Enterprises Corp.	Domestic Shares	63,746,040 (L) (Note 4)	Interest of controlled corporations (Note 5)	Corporate	25.44% (L)	17.81% (L)
	H Shares	237,000 (L)	Beneficial owner (Note 6)	Corporate	0.22% (L)	0.07% (L)
Mitsui & Co., Ltd.	H Shares	21,340,000 (L)	Beneficial owner	Corporate	19.86% (L)	5.96% (L)
Hongan International Investment Co. Ltd.	Non-listed Foreign Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	26.26% (L)	18.37% (L)
	H Shares	17,222,880 (L)	Beneficial owner	Corporate	16.03% (L)	4.81% (L)
Zhang Shaoxia	Non-listed Foreign Shares	46,351,961 (L)	Interest of spouse (Note 7)	Personal	18.50% (L)	12.95% (L)
	Domestic Shares	54,658,540 (L)	Interest of spouse (Note 7)	Personal	21.82% (L)	15.27% (L)

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/ H Shares	Approximate Percentage of Total Share Capital
Wang Meng	Non-listed Foreign Shares	65,779,459 (L)	Interest of controlled corporations (Note 8)	Personal	26.26% (L)	18.37% (L)
	H Shares	17,222,880 (L)	Interest of controlled corporations (Note 9)	Personal	16.03% (L)	4.81% (L)
Yantai Xingan Investment Centre (Limited Partnership)	Domestic Shares	20,000,000 (L)	Beneficial Owner	Corporate	7.98% (L)	5.59% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Beneficial owner	Corporate	10.24% (L)	3.07% (L)
Shenzhen Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Chen Sheng	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Personal	10.24% (L)	3.07% (L)
Ni Zhilong	H Shares	5,392,500 (L) (Note 11)	Beneficial owner	Personal	5.02% (L)	1.51% (L)
Ma Lin	H Shares	5,392,500 (L) (Note 11)	Interest of spouse	Personal	5.02% (L)	1.51% (L)

Notes:

The letter "L" denotes a long position.

(1) Mr. Wang An, a Director, was deemed to be interested in these Non-listed Foreign Shares through his 90% interest in China Pingan Investment Holdings Limited.

(2) Mr. Wang An, a Director, was deemed to be interested in these Domestic Shares through his 90% interest in Shandong Andre Group Co., Ltd.*（山東安德利集團有限公司）.

(3) The long position in 65,779,459 Non-listed Foreign Shares was directly held by Donghua Fruit Industry Co., Ltd.. Based on the information provided by Donghua Fruit Industry Co., Ltd., Hongan International Investment Co, Ltd. and Ms. Wang Meng were deemed to be interested in these 65,779,459 Non-listed Foreign Shares.

(4) The long position in 63,746,040 Domestic Shares was 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 42,418,360 Domestic Shares, and Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司) , which held 21,327,680 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 63,746,040 Domestic Shares. The 63,746,040 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 42,418,360 Domestic Shares, representing approximately 11.85% 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 21,327,680 Domestic Shares, representing approximately 5.96% 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 are beneficially held by Uni-President China Holdings Ltd..

(7) 46,351,961 Non-listed Foreign Shares and 54,658,540 Domestic Shares were held by Mr. Wang An, the husband of Ms. Zhang Shaoxia, and therefore Ms. Zhang Shaoxia was deemed to be interested in these shares.

(8) Ms. Wang Meng indirectly held 100% of the issued share capital of Donghua Fruit Industry Co., Ltd., which in turn held 65,779,459 Non-listed Foreign Shares. Therefore Ms. Wang Meng was deemed to be interested in these shares.

(9) Ms. Wang Meng directly held the entire issued share capital of Hongan International Investment Co., Ltd., which in turn held 17,222,880 H Shares. Therefore, Ms. Wang Meng was deemed to be interested in these shares.

(10) The long position in 11,000,000 H Shares was held by Shenzhen Tiandi Win-Win Investment Management Co., Limited (深圳市天地共贏投資管理有限公司), a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司), through its wholly-owned subsidiary Tiandi Win-Win Investment Management Co., Limited. Mr. Chen Sheng was deemed to be interested in these H Shares through over 70% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).

(11) Mr. Ni Zhilong, spouse of Ms. Ma Lin, held 5,392,500 H Shares and so Ms. Ma Lin was deemed to be interested in these shares.

COMPETING INTERESTS

As at 30 June 2020, none of the Directors, the management shareholders of the Company and their respective associates (as defined under the 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 the audit and review committee and terms of reference of the 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the reporting period except for the following:

According to Code A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Board believes that with the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. As such, the Company currently does not have insurance cover for legal action against its Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Appendix 10 of the 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 2020 interim 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 and review committee and receive a dated acknowledgement in writing before any dealing.

All Directors, upon specific enquiries, have confirmed that they complied with the Required Standard during the six months ended 30 June 2020.

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 months ended 30 June 2020.

AUDIT AND REVIEW COMMITTEE

The Company has established an audit and review committee with written terms of reference which were formulated and amended based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and code provisions set out in the CG Code. The primary duties of the audit and review committee are to review and provide supervision over the financial reporting process, risk management and internal control of the Group. All of its members are independent non-executive Directors (namely Mr. Jiang Hong Qi, Mr. Li Wei and Mr. Li Yao) and its current chairman, Mr. Jiang Hong Qi, is an independent non-executive Director.

The audit and review committee has reviewed the accounting principles and practices adopted by the Group and discussed with the Directors about risk management, internal controls and financial reporting matters including a review of the interim results for the six months ended 30 June 2020.

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

Yantai, the PRC, 26 August 2020

As at the date hereof, the Board comprises:

Mr. Wang An *(Executive Director)*
Mr. Zhang Hui *(Executive Director)*
Mr. Wang Yan Hui *(Executive Director)*
Mr. Liu Tsung-Yi *(Non-executive Director)*
Mr. Jiang Hong Qi *(Independent non-executive Director)*
Mr. Li Wei *(Independent non-executive Director)*
Mr. Li Yao *(Independent non-executive Director)*

* *For identification purpose only.*